

EUROPEAN NEWS

Internal divisions cloud East-West weapons talks

BY JUDY DEMPSEY IN VIENNA

FRANCE, West Germany and the Soviet Union are all eager, for different reasons, to get a new round of East-West talks on conventional arms off the ground as soon as possible.

This month, there is little time for the outstanding problems to be ironed out. And diplomats from other Western nations - notably the US, Canada, Britain and the Netherlands - caution against undue haste, and in particular against the "watering down" of Western demands over human rights.

Kohl at Bundesbank amid interest rate speculation

BY HAIG SIMONIAN IN FRANKFURT

CHANCELLOR Helmut Kohl of West Germany attended today's regular meeting of the Bundesbank's governing council amid further rises in the value of the dollar against the D-Mark and continuing speculation as to when German interest rates will again be raised.

growth, which it said was still far as possible. The Chancellor's visit marked the first time a West German head of government has participated in a Bundesbank council meeting since Mr Helmut Schmidt in 1978.

Frankfurt sets out to tower over Europe

BY HAIG SIMONIAN IN FRANKFURT

WITH torrential rain barely giving way to heavy drizzle, West Germany's official ground-breaking ceremony for Europe's tallest skyscraper, the Messeturm in Frankfurt, hardly got off to the most auspicious start.

Struggling with the five-handed shovel, the dignitaries ceremoniously dug out the first clod of earth from what will be the base for the 254 metre tower.

EC court overturns Italian pasta law

By Tim Dickson in Brussels

THE ITALIAN pasta may soon be sampling West German pasta following a key judgment by the European Court of Justice announced in Luxembourg yesterday.

The court's decision in an important win for the idea of a single European market in food, the court declared a long-standing Italian law which requires the exclusive use of hard or durum wheat in the manufacture of pasta is contrary to the European Community's founding charter, the Treaty of Rome.

Portuguese pay PORTUGUESE unions yesterday demanded a revision of a national wage and prices accord as official figures showed the annual inflation rate would rise considerably above the government target of 5.5 to 6.5 per cent.

Moscow rejects demands of rebel Armenians

BY QUENTIN PEEL IN MOSCOW

THE SOVIET authorities in Moscow look determined not to make any new concessions to Armenian nationalist demands, in spite of further massive demonstrations and continuing strikes in support of self-determination for the enclave of Nagorno-Karabakh.

try's highest constitutional authority - would be meeting in an effort to mediate in the dispute between the two Transcaucasian republics.

factories and most shops. Food supply in Nagorno-Karabakh is increasingly critical, although enough bread and milk are locally produced, with the strike now almost two months old.

from Azerbaijan had no legal basis. The region fell under the authority of Azerbaijan, which had declared it null and void, he said.

strators were detained on the steps of the Lenin Library. Mr Sergei Grigorian, editor of the dissident newspaper Glasnost, and 14 others, were detained after an unauthorised demonstration in which they unfurled the national flag of Latvia, as well as banners supporting Nagorno-Karabakh and the Armenian protest.

Angry protests fail to halt nuclear plant in Crimea

BY QUENTIN PEEL

A MASS popular protest has failed to halt the construction of a nuclear power station in the Soviet Crimea - one of the country's most popular holiday spots - in spite of claims that the area is prone to earthquakes.

It is sharply critical of the failure of the Soviet authorities - both the republican government in the Ukraine and the national ministries - to give more public information about the plant, and the evidence for and against the danger of earthquakes.

local correspondent reported. "But now fact has been overgrown with invention and fantasy, uncontrolled emotion and passion."

being built on a geological fault. In spite of a series of top-level meetings almost a year ago, the authorities seemed "not to touch the issue to glass."

Only in recent days did the Ministry of Atomic Energy hold a public meeting at the power station, at which top officials were subjected to four hours of angry questioning. In spite of the protests, the council of ministers agreed to go ahead with the plant, the newspaper said.

Intellectuals argue for Polish sovereignty

BY CHRISTOPHER BOBINSKI IN WARSAW

POLISH intellectuals yesterday argued for their country's sovereignty to be respected by the Soviet Union, as well as for greater individual freedoms, in a meeting with Mr Mikhail Gorbachev at the Catholic University in Lublin, the fourth day of his visit to Poland.

with the opposition had been invited but had declined on the grounds they would not be permitted to speak.

to its traditions, its political culture. Another speaker, Mr Richard Wojna, a Communist Party deputy and an official commentator, argued that the Soviet Union should recognise Poland's deep links with the West and - far from seeing these, as was the case in the past, as giving cause for suspicion - should utilise them to help bring the two halves of Europe together.

Austria 'living a lie about its Nazi past' By David Marsh in Bonn MR EDGAR Bronnman, president of the World Jewish Congress, yesterday said Austria was "living a lie" about its Nazi past, and called on the country to follow West Germany's example of facing the lessons of history.

Greece jails Palestinian wanted in US

By Andreas Herodotou in Athens

A GREEK court yesterday sentenced 30-year-old Palestinian Mohammed Rashid, who is wanted in the US in connection with a terrorist attack, to seven months' imprisonment.

Hungary nears agreement on sharp cuts in subsidies

BY LESLIE COLTIT IN BERLIN

THE CENTRAL committee of the Hungarian Communist Party yesterday approved in principle wide-ranging economic reforms which would hit deep into the standard of living of ordinary Hungarians and increase unemployment.

Budapest boosts radio broadcasts to Romania

By Leslie Colt

HUNGARY has introduced a new tactic in its war of "words with bullets" by inaugurating a periodic radio transmitter to improve reception of Radio Budapest among the 1.7m ethnic Hungarians in Romania.

EC joint ventures in Third World

BY DAVID BUCHAN IN BRUSSELS

THE European Commission yesterday accelerated its new policy of promoting private European investment in the Third World by signing financial agreements with developing banks in five EC member states.

Kieran Cooke reports that an airport in the west of Ireland is turning in a small profit after linking up with Ryanair Knock scorns the sceptics' predictions with a runaway success

KNOCK AIRPORT, 600 feet up a peat bog mountain in the isolated west of Ireland, is one of Europe's more isolated commercial enterprises.

Knock was the inspiration of the late Monsignor James Moran, who wanted not only to bring pilgrims to a nearby Catholic shrine, but also to improve communications between the west of Ireland and the outside world.

"We had an airport capable of handling the biggest jets. But no one wanted to fly here," says Mr Seamus Monaghan, chairman of Knock Airport. Mr Moran was worried, putting his faith in heavenly intervention. "Sure enough, 10 days later we had a letter of application from Ryanair," said Mr Monaghan.

Knock Airport was opened in May 1986. But when it was completed no airline seemed interested in using Knock

world's largest aircraft leasing company, based at Shannon airport, in the south west of Ireland. Two of his sons are closely involved in Ryanair operations.

is expected as airports like Knock and Sligo, further to the west, expand. Ryanair is now locked in an often bitter battle with Aer Lingus for passengers, particularly on the Dublin/London and Dublin/Liverpool routes.

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OVERSEAS NEWS

Optimism about Angola deal may be premature

BY MICHAEL HOLMAN, AFRICA EDITOR

ANGOLA has seen at least two false dawns in its efforts to negotiate the withdrawal of South African troops from the south and secure independence for Namibia... Progress was made during nearly three days of discussions between Angola, Cuba and South Africa...

Peking warned of mass HK exodus

By David Dodwell in Hong Kong

THERE WILL be a mass exodus of professionals from Hong Kong before 1997 if the Chinese Government refuses to make substantial amendments to the Basic Law...

Bush calls on Iran to declare a ceasefire

BY OUR UN CORRESPONDENT IN NEW YORK AND ANDREW GOWERS IN LONDON

MR George Bush, the US Vice-President, appealed to Iran before the United Nations Security Council yesterday to make a unequivocal declaration of readiness to comply with UN calls for a ceasefire in the Gulf war...

ship believed the Airbus was a hostile F-14 fighter, he should have known that this could not present a serious danger to the cruiser...

Iraqi troops cross border for first time since 1982

ANDREW GOWERS, MIDDLE EAST EDITOR

IRAQ HAS sought to step up the pressure on Iran in the Gulf war by pushing into Iranian territory for the first time since its forces were largely ejected from its eastern neighbour in 1982...

A senior Western diplomat added: "It looks as if they're on the verge of committing exactly the same mistake as they made in 1980."



Lee Teng-hui: succeeded in pushing key reformers into place

Hardliners take a back seat in Taiwan's Congress

BY BOB KING IN TAIPEI

ALL indications were that the pace of reform would accelerate in coming months as Taiwan's ruling Nationalist Party ended business at its 13th National Congress yesterday...

GLOBAL INTEGRATION OF JAPANESE MANAGEMENT
The Industrial Bank of Japan—Japan's most powerful long-term credit bank, with assets totalling more than 200 billion US dollars...

Mr. Kunio Seki, Director, Industrial Bank of Japan and General Manager of IBJ London Branch
Mr. Yoshiyuki Fujisawa, Managing Director, IBJ International Limited

London key to global strategy
IBJ's London operations form a key link in IBJ's global development strategy. Kunio Seki is frank: "We want to build our services here to the same levels of strength and sophistication as those we offer in Tokyo..."

work fully in place—we plan soon to open a new office in Italy—we may well develop local specialisations. For example IBJ operates as a universal bank in Germany, but we are strongest in Switzerland in investment advice...

WORLD TRADE NEWS

Australia unveils plan to reform trade in services

BY WILLIAM DULLFORCE IN GENEVA

AUSTRALIA yesterday unveiled a blueprint for an agreement on trade in services which is likely to be the basis for negotiations leading up to the meeting of world trade ministers in Montreal in December.

Cautious welcome for farm exporters' plan

BY WILLIAM DULLFORCE IN GENEVA

THE US and the European Community yesterday gave cautious but critical approval to the plan for world farm-trade reform presented on Wednesday by the 13 farm-exporting countries of the Cairns group.



Daniel Amstutz, Cairns proposals helper

Mr Daniel Amstutz, chief US negotiator on agriculture, said the Cairns proposals would be helpful to the talks. The EC approved of the group's attempt to blend short-term measures with long-term action.

David Dodwell reports that manufacturers are jostling for position as the airline ponders its choices

Fast-growing Cathay keeps its fleet options open

"IF THERE is any one thing we can be certain of, it is that we will not be replacing 12 Tristars with 12 of anything else," says Mr Rod Edgington, Cathay Pacific's commercial director, after a flurry of speculation over the Hong Kong airline's purchasing plans.

passenger load factors that would be the envy of most airlines, but at the same time has created big problems in planning fleet expansion.

With traffic growth over the past year of 200 per cent between Hong Kong and Taiwan, more than 100 per cent between Hong Kong and Japan, and 50 per cent between Hong Kong and Seoul, more and more routes once regarded as short-haul, and served by Tristars, are now requiring regular 747 services.

or simply supplement them, since Cathay executives see no technical reason for dropping these workhorses - at perhaps another five years. New, low-powered 747s, designed specifically for high-density, short-haul flying could also be bought.

option is ideal. McDonnell Douglas's MD-11 has new technology and a two-man cockpit can carry 200 passengers, but uses three engines. It has the virtue of being available for service next year, which might make it an ideal complement to expansion of the 747 fleet.

Nim Caswell reports on a UK export drive in French Africa

Francophones face British challenge

A BRITISH drive to increase exports to francophone Africa has been under way this week, with Mrs Lynda Chalker, the British Foreign Office minister, leading a team of businessmen to the Ivory Coast, Cameroon and Congo.



Chalker: trade mission to Ivory Coast, Cameroon and Congo

The value of UK exports to the three is modest - last year the Ivory Coast bought £27m worth of British goods, Cameroon £28m and Congo £15m - but British businessmen believe that these countries, in common with other francophone states, are reappraising the role of France as their main trading partner on the grounds that wider competition for their business means lesser prices.

Mr John Devouport, marketing manager for Africa at Guinness Brewing Worldwide, has no doubt that this unease about over-dependence on France has had much to do with his company's success in Cameroon since its first venture in francophone Africa was launched there in 1970.

over for the francophones. It's not Nigeria, it's Kenya," says Mr Nick Pearce, managing director of International Publicity Services, a specialist marketing and advertising agency dealing with francophone Africa.

Japan urges Reagan to veto US trade bill

BY STEFAN WAGSTYL IN TOKYO

JAPAN yesterday urged President Reagan to veto the Omnibus Trade Bill which this week passed the House of Representatives and is expected to win approval in the Senate.

Toyota considers boosting Californian truck output

BY CARLA RAPAPORT IN TOKYO

TOYOTA is holding talks with General Motors and Nissan regarding trucks at NUMA, the two companies' joint venture plant in California.

AMERICAN NEWS

Salinas hails 'new mandate' as opposition rejects poll figures

BY IVO DAWNAY AND DAVID GARDNER IN MEXICO CITY

MR CARLOS Salinas de Gortari, candidate of the Institutional Revolutionary Party (PRI) in Mexico's presidential election, has greeted his victory - officially declared late on Wednesday - as "a mandate for change".

The official figures, announced by Mexico's Federal Electoral Commission, also confirmed the emergence of a powerful new left-nationalist voice in Mexico's politics with a 31.1 per cent vote for Mr Cardenas.

Convention may see Jackson challenge

BY STEWART FLEMING IN WASHINGTON

REVEREND Jesse Jackson, the black candidate who has been Governor Michael Dukakis's most persistent rival for the Democratic Party's presidential nomination, has indicated that he may be prepared to see his name go forward as a nominee for vice-president at the party convention in Atlanta, Georgia next week.

Mr Jackson indicated that a move to challenge the nomination of Mr Bentsen was being considered by some of his supporters rather than masterminded by him.

Sandinista hard line intended to regain the initiative

Tim Coone in Managua looks at a strategic gamble

THE decision by the Nicaraguan Government to expel the US ambassador, close a newspaper and radio station and suspend the country's largest private business may seem to some like blundering and hot-headed diplomacy.

But having started a dialogue, the Government also won some big concessions - recognition by the Contras of the legitimacy of the existing government and the start of a process of disarmament of the Contras and their incorporation back into civilian life.

The Nicaraguan Government has expropriated the largest private business in the country, Nicaragua Sugar Estates, on the grounds of "social interest and public good".

Such a move, in the Government's view, goes against the spirit of the earlier agreements made at Esquipulas and Sapoa.

Democrats face pressure over Nicaragua

THE Sandinista Government's expulsion of eight US diplomats and its crackdown on opposition in Nicaragua is no longer being viewed as a Democratic Party as it prepares for its convention in Atlanta next week, writes Lionel Barber in Washington.

Senator Robert Dole of Kansas, still considered a possible running-mate for Mr George Bush on the Republican ticket, has seized the initiative and drawn up a legislative package containing \$77m (\$16m) of humanitarian aid plus \$30m of military aid.

regional peace plan put forward by President Oscar Arias of Costa Rica.

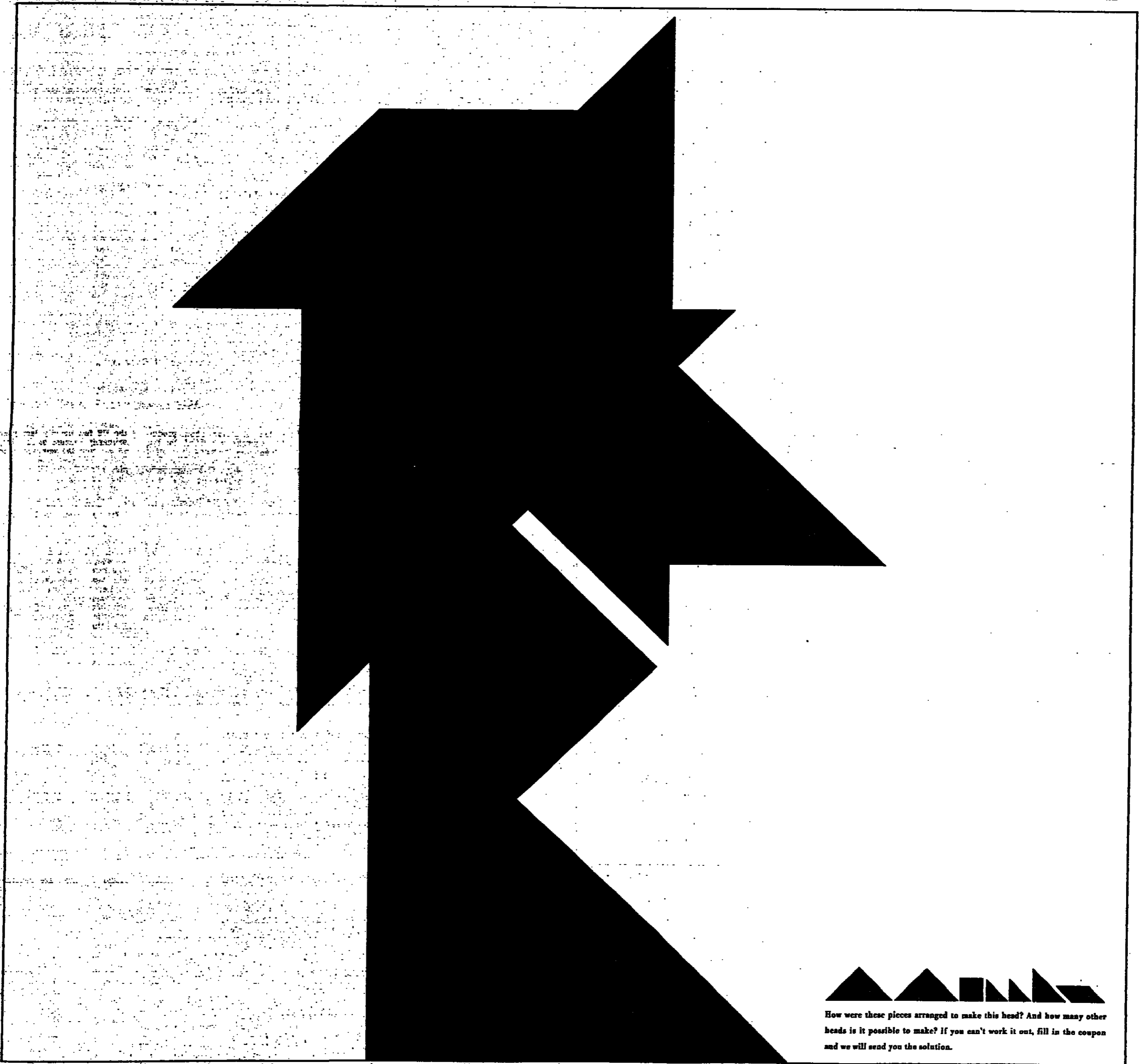
Washington promptly expelled the Nicaraguan ambassador, and there are now rumours from Republicans in the US Senate that there may be new military aid for the Contras.

both humanitarian and military aid to the rebels. Mr Jim Wright, House Speaker, who will chair the convention, has long been involved in diplomatic overtures to the Sandinistas.

But it also brought the Contras to the negotiating table at Sapoa. The hard line worked then - so why not again?

JPL/col/50

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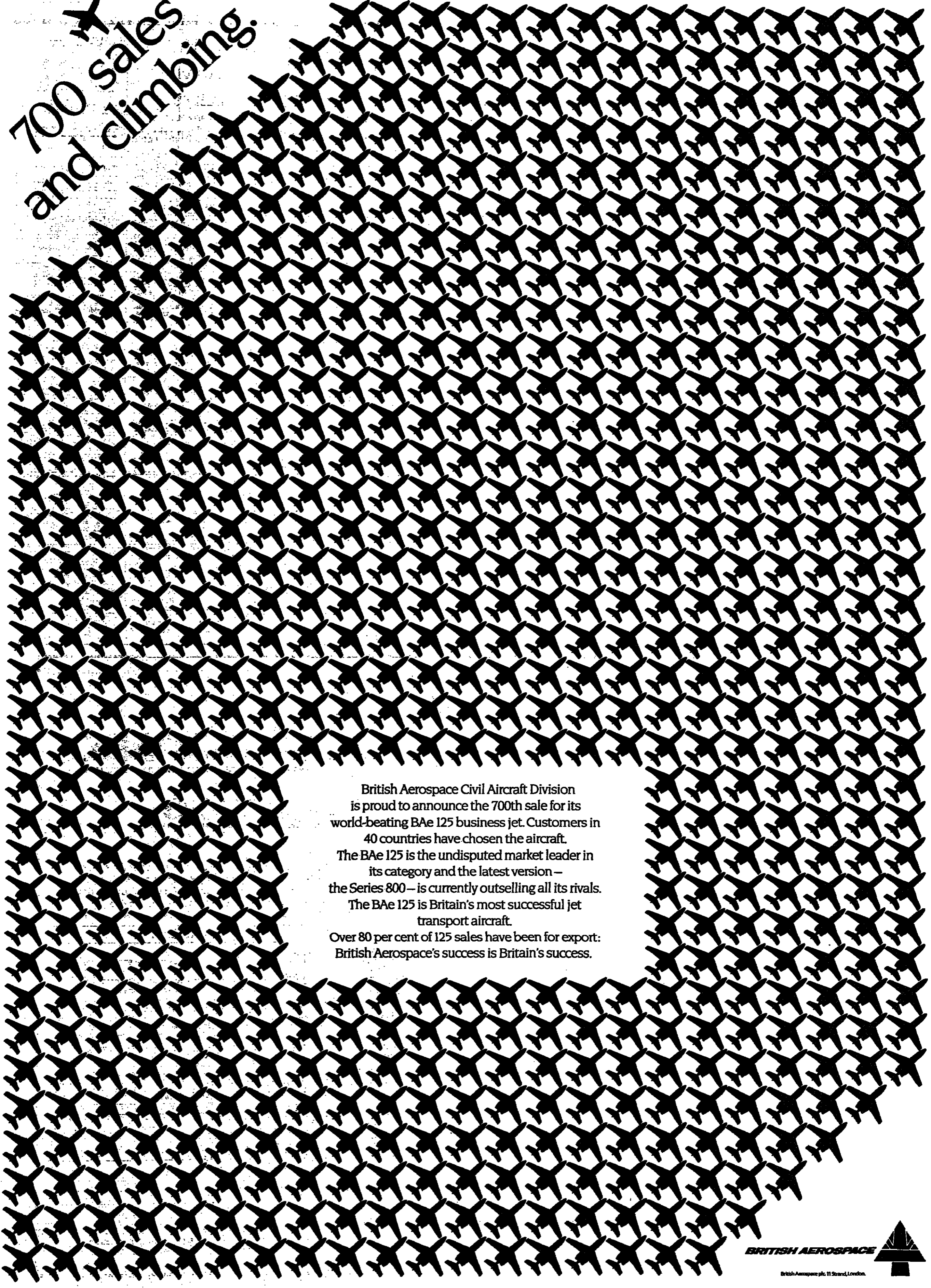
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Revenue
examines
tax status
of mobile
telephones
Richard Owen

700 sales and climbing.

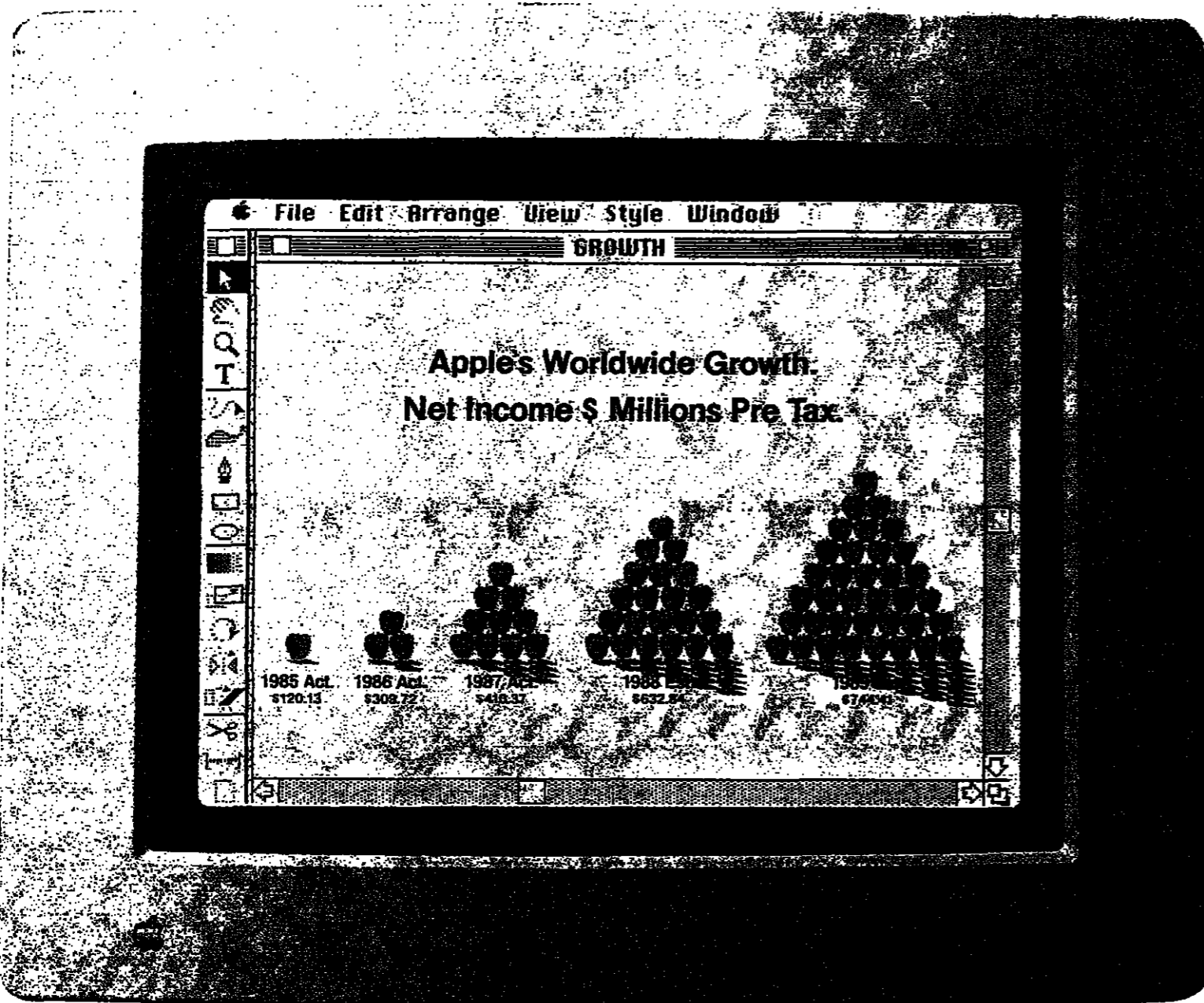


British Aerospace Civil Aircraft Division is proud to announce the 700th sale for its world-beating BAe 125 business jet. Customers in 40 countries have chosen the aircraft. The BAe 125 is the undisputed market leader in its category and the latest version – the Series 800 – is currently outselling all its rivals. The BAe 125 is Britain's most successful jet transport aircraft. Over 80 per cent of 125 sales have been for export: British Aerospace's success is Britain's success.

Yet another bumper crop.

In just eleven short years Apple Computer has grown to become one of the largest and financially strongest companies in

the world. Our turnover for 1987 was £1.44 billion.



We're also ranked 51 in the Fortune 500 list in terms of market capitalisation.

To put that into a British context,* we'd be larger than Glaxo Holdings, RHM and W.H. Smith & Son (Holdings) in terms of sales. And we'd be the 29th most profitable company on a pre-tax basis, ahead of Sears, Courtaulds and Rothmans International.

A remarkable achievement in anybody's books.

Back in 1977, when we started, our sales totalled £418,400. Any doubting Thomas's over the following years

have had to eat their words. Even more so this year. Our latest results show our profits soaring in our second quarter by 135% with sales up 51% to £468.8 million.

An analyst was sufficiently moved to remark to the 'Wall Street Journal' that our performance was "sensational... the Macintosh" just keeps gaining momentum."

While the 'Financial Times' was impressed enough to comment "Apple"... has begun to reap the rewards of its efforts to crack open the business personal computer market."

The 'Infomatics Daily Bulletin' said "Apple Computer continued its seemingly inexorable rise towards the top of the IT industry pecking order."


Another leading analyst predicted "Apple could sustain 25% growth for many years."

Please excuse us for blushing.

To cope with all this present and future growth, we've established a major new European headquarters in Paris. We're also implementing dramatic expansion plans in the UK.

All perfectly natural behaviour for the largest dedicated manufacturer of personal computers in the world.

Another fact we're understandably proud to announce.

 Apple. The power to succeed.

TECHNOLOGY

Alan Cane on a big advance in image processing which could end the flood of paper in the insurance business

A breakthrough for the brokers

THE INSURANCE industry is drowning in paper as insurers and their intermediaries struggle to keep on top of the mounting tide of quotations, proposal forms, cover notes and so on.

It is a natural candidate, therefore, for electronic data interchange (EDI), a jargon phrase for the dispatch of standard messages (electronic documents) between computers over telecommunications lines.

Mainframe manufacturer ICL and the US-based General Electric Information Services (Geisec), for example, last year set up a joint venture called International Network Services (INS) which runs the BrokerNet motor insurance system.

Intel Financial Services and Misys Datel, a software software houses specialising in insurance systems last week announced a joint marketing venture to provide EDI between intermediaries and insurance companies, also in the motor insurance area.

But it is IBM, the world's largest computer manufacturer that will, in the first instance, provide the network for a development in insurance EDI which experts believe is unique and could lead to a revolution in the way intermediaries deal with insurance companies.

Earlier this week, it became known that a consortium of leading UK insurance companies had funded and were preparing to market a computer system which will do away with most of the paper which is the bane of insurance people's lives.

Designed in the US but developed in association with a UK software house, Fame Computers of Birmingham, the system would seem to have the potential to save costs in any business which uses documentation extensively.

Called "Formlink," it is to all intents and purposes a conventional EDI system. Taking as an example a proposal for life insurance, the intermediary calls up a standard form onto a personal computer screen, fills in the client's details and despatches the completed form to the insurance company with a press of the button.

But there is an important difference. The form the intermediary calls up is an exact video replica of the insurance company's paper documentation. It has been created using an image scanner. The client's details are keyed into the video document using the computer keyboard.

This mix of image processing and data processing represents a significant technical breakthrough for the system's designers, Access Development of Boston in the US (see accompanying box).

Mr Douglas Shillito of The Shillito Consultancy, a recognised authority on insurance systems believes Formlink is an exciting development: "It provides a simple input system for brokers and it is a new approach to the reformatting problem. It looks a very attractive proposition."

By reformatting, Mr Shillito means the extensive and inevitable re-keying as paper forms are copied from one computer system to another, a labour intensive and error prone business. The savings which should flow from the development of a system in which vital data is keyed into it only once are sufficiently attractive to have persuaded three leading UK insurers, Commercial Union, Legal & General and Royal Insurance UK, to have invested almost £1m over the past two years to bring Formlink to market.

General Accident, Guardian Royal Exchanges and Norwich Union have joined the consortium to assist in marketing the system to

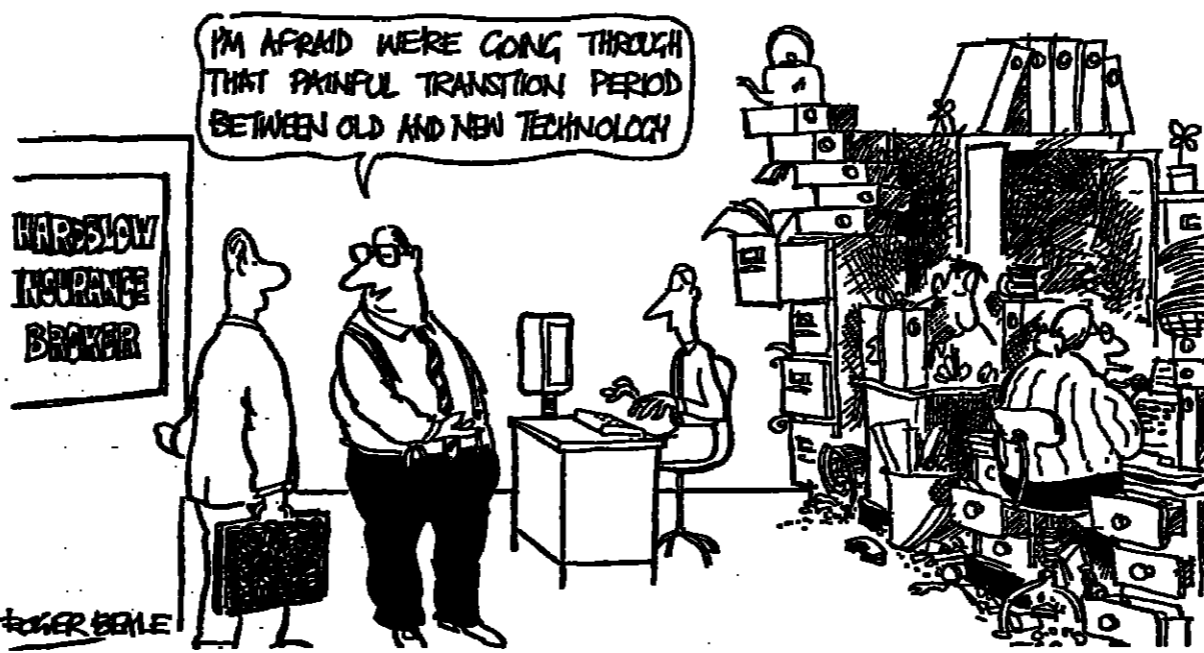
Britain's 30,000 or so intermediaries. According to Mr Fred Pritchard, managing director of Fame Computers: "They are co-operating with each other to an extent I have never seen before."

Formlink is the brainchild of a US insurance technology specialist, Mr John Janczulis, who had worked on the principal US insurance network IVANS, now some seven years old. IVANS uses standard message formats through which intermediaries can communicate with their insurance companies. It has not, insurance experts agree, been an outstanding success.

The reason, according to Mr Pritchard is that it gave the intermediaries a great deal more work to do while the development team began work it took 1.5 minutes to fill the screen with the video image of the document. Now it takes a few seconds.

Access and Fame are coy about the exact methods they use to achieve this remarkable speed of compression and decompression, believing they have up to two years lead on the competition. Suffice to say that the system "knows" the stream of bits is part of an image with length and breadth and is therefore able to compress the data to two dimensions rather than one. The next, and critical, step is to mix image processing and data processing. The system developer blanks out areas of the form which have to be filled in with a client's name, address and so on by describing them to the system in terms of their co-ordinates. These are relative co-ordinates. No matter how the document is handled by the system, it remembers where the blank spaces are located.

After the details have been entered through the keyboard, it remembers where the alphanumeric characters must be placed and distinguishes between data bits that describe the video image and data bits that describe the alphanumeric characters. The cal-



culations needed to sustain this feat of memory a horrendously complicated.

Mycock says that system benefits significantly from the fact that it is using Microsoft's "Windows" software, a technique for handling separate operations in separate areas of the screen. Information can be pulled into the document for a variety of sources - quotations systems, client databases and so on.

The insurance broker, of course, sees nothing of all this complexity. The document appears in a flash on the screen and can be filled in just like the paper version.

A hard copy of the final document can be run off on the printer in 30 seconds or so (getting the printer to run that fast proved to be one of the toughest tasks).

Where real time savings are made is in the preparation of new documents. Mycock says that using conventional techniques, it would several weeks to prepare the screen image and program the printer to produce hard copy. Using Formlink methods, a new document can be added to the electronic library in half a day.

Mr Janczulis reasoned that if insurers were unwilling to use standard message formats, the answer was to give them electronic replicas of their paper documentation.

The problem was the technology. Conventional data processing techniques were ruled out. It could take weeks to write the program to create the screen image of a single form and even then it would not be perfect. So scanning had to be used to create a

video image. The pioneering insurers risked their money in the belief that Mr Janczulis and his team could crack the problem of combining image processing and data processing at a cost the industry could afford both in time and money.

The result is now ready for initial trials by intermediaries with Boswells of Norwich and Sevenoaks Financial Services taking the role of guinea pigs. Within two months some 50 intermediaries should be putting Formlink through its paces and the commercial version should be ready towards the end of the year. It will be marketed to intermediaries at a cost of between £45 and £70 a month.

An electronic library of insurers' documentation is being created. Stored on magnetic disk, it will replace the 50 or so different sets of paper documentation which each intermediary has to have on file at present.

Mr Andrew Wellings, marketing manager for the Commercial Union's general business division and spokesman for the Formlink consortium, argues that establishing a common electronic network is crucial for the insurance business. Costs can be cut and individual insurers compete through the quality of service they are prepared to offer their intermediaries once a level playing field has been established.

His views are given substance by a major survey carried out by Fame Computers in conjunction with Business Insights.

It showed clearly that brokers want standard forms for obtaining quotations and for processing policies, claims applications and proposals. "Assist in addressing this unmet need," the authors of the survey advised insurers, "and your intermediaries will credit you to a statistically significant degree."

A Study of Independent Brokers and Intermediaries, Business Insights Incorporated, 1987.

STARS guide to beyond 1992

Hazel Duffy on a new database for companies

THE SINGLE European market may present an admirable trading opportunity for British business.

But 1992 - although all about removing barriers - will bring with it new, harmonised regulations which companies will need to be aware of, at the same time as keeping up with changes in domestic regulations.

The European Policies Research Centre at Strathclyde University has developed a database, STARS, designed to help companies through the maze.

The Centre is already well known for its monitoring of Government legislation, and the incentives offered by European governments and institutions to business in their regions.

The new database has three main constituents. It concentrates initially on providing information on UK regulations which affect the day-to-day running of a company, and the regulations that must be complied with for setting up a company.

Current coverage extends to 150 regulations. For instance, information on regulations on how to register a new trademark, company incorporation, articles of association, annual returns, duties of directors, employment contracts, and the latest employers' requirements in relation to national insurance.

When a company has to make staff redundant, information can be obtained on the consultation procedures and redundancy payments.

Second, the database guides companies to 300 sources of advisory, financial and other services, from government and other organisations.

Government support services in areas like exporting, marketing and finance are an increasingly important part of policy - the difficulty for busy companies is knowing where to get the advice.

those that do - it can be very frustrating to piece together what is available and from where. More than one government department is usually involved as well as various agencies.

Professor Kevin Allen, director of the Centre at Strathclyde, believes that the value of STARS is that it provides an overview of regulations and services in related areas of interest. Names, addresses, and telephone numbers are listed where more detailed information can be obtained.

Examples of entries include area development organisations, sources of loan and equity finance, industrial training boards, research and innovation centres, science parks, industrial trade associations, sources of marketing advice, and services related to particular sectors such as engineering, textiles, tourism, catering.

Third, the database provides a newsletter which reports on recent and forthcoming changes. Entries range from modifications in existing regulations to the introduction of new legislation. For instance, information on regulations which will be updated constantly as Brussels tackles the complex area of harmonising company law.

The system is divided and sub-divided into sectors, providing easy access to the myriad of regulations in areas like health and safety, consumer law, planning and environmental controls, which form the framework in which business must operate.

The experience of the Centre's earlier databases suggests that STARS will be invaluable to intermediaries in the business world as well as individual companies - chambers of commerce, lawyers, consultants, employers' associations, enterprise agencies, banks, local authorities all need to be in touch with this sort of information to offer a full service, but they are unlikely to want to devote resources to doing the job in house.

More information on STARS is available from the European Policies Research Centre, Livingstone Tower, 26 Richmond Street, Glasgow G1 1XL. (Tel 041-5524400.)

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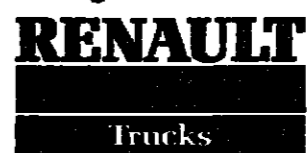
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RENAULT TRUCKS. BUILDING A FUTURE TOGETHER.

The boat comes in for Manchester

By Paul Cheeswright

THE MANCHESTER Ship Canal Company created commercial opportunities for others a century ago by giving Manchester an outlet to the sea. Now it is trying to create opportunities for itself with the land it has on either side of the Canal.

The company is emerging as one of the biggest property developers in the region. By luck or judgment it has the timing right especially for the landholdings close to Manchester. The market is turning. Where there was dullness two years ago, now there is demand for space.

The key factor for Hermann Jungmayr, the property director, is the take-up rate. He believes Manchester could take an extra 2m square feet of office space. "How much can you put on the market without undermining rents?" he asked.

Two years ago the question would have been different. "How do you design and build for the rent to cover the cost?" He suggested that now the level of demand is not price-constrained. "The real question is - what is the depth of the demand? - and I don't think anybody knows the answer."

This confidence as a property developer is the new face of MSCC, which has the historic and statutory role of keeping open the Ship Canal and operating the docks in Manchester. But it also springs out of the bitter takeover by Highams last year in a £37m bid and the

subsequent re-division of the company's relationship with the Manchester City Council.

Highams is a private company controlled by Mr John Whittaker, who also controls Peel Holdings, the retail and industrial property group. The attraction of MSCC for Mr Whittaker was the landholdings. Once he had control he sought immediately to maximise his new assets.

In the first place that meant negotiating independence from the Manchester City Council. This was done by buying back debt from the City Council and establishing with it a joint venture property company. This new company has identified three sites on City Council land where mixed commercial and residential developments might take place.

For Mr Jungmayr the change in ownership of MSCC has brought three radical changes: a commitment to keep the port operations open, including those on the upper reaches of the Ship Canal at the Manchester end;

the decision to develop and manage property in-house rather than delegate it all outside the office;

the decision of the Whittaker interests not to take any dividends and that means most resources are channelled back into development.

Mr Jungmayr himself is also the property director of Peel, so the evolution of MSCC finances will embrace the same philosophy: that is short term development finance will eventually be switched into long term fixed interest debt. Peel has been engaged in this process, launching a series of debentures. "But you need a parcel of good quality projects to do it," said Mr Jungmayr. "As we develop and the assets grow we will try and fix long term money against them."

In that search for "good quality projects", Peel has advantages. In the first place its landholdings are in place, in the form of equity; they are not generating debt. Second, the new owners of MSCC inherited some developments which provide a rent roll of about £1m a year and this is unguaranteed.

MSCC in short has some cash flow. "The only thing we have to fund is the actual construction," said Mr Jungmayr. Existing resources enable

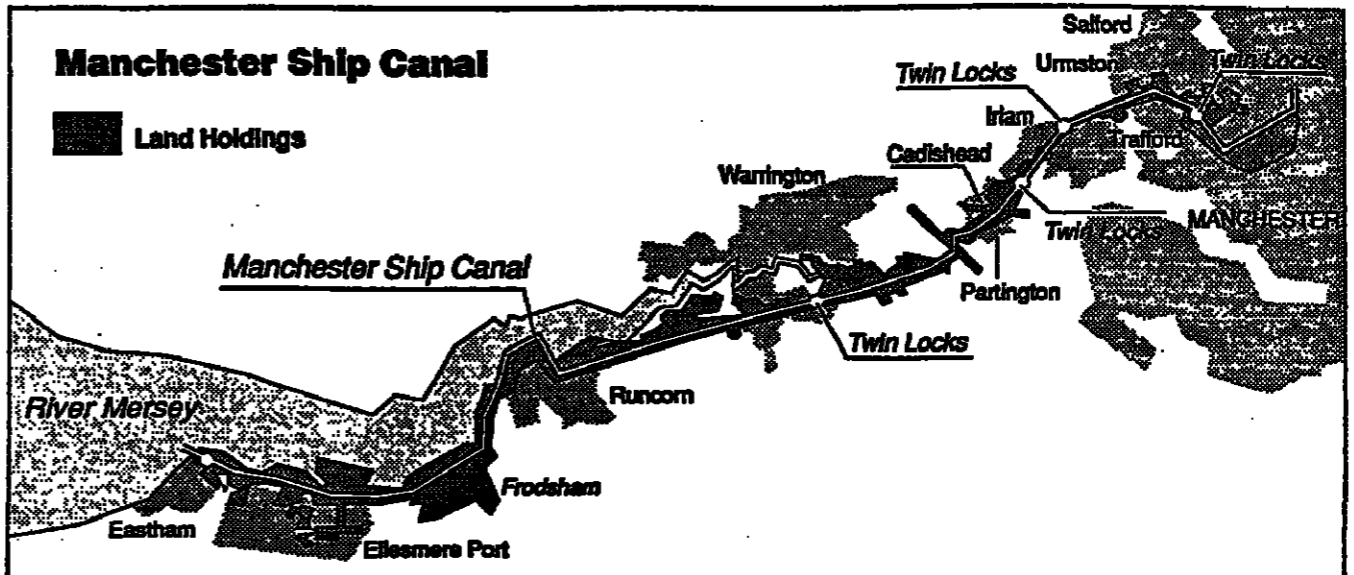
MSCC to finance an identified development for up to 12 months. This is being done through overdrafts or finance specific to a project without the need to enter elaborate funding agreements with banks.

Sources of finance already in place are adequate for modest projects, but other arrangements would have to be made for major proposals, if they should obtain consents, like the Trafford Centre shopping and leisure project on the eastern edge of Manchester.

In the immediate future the easiest developments for MSCC to undertake will probably be offices and industrial projects, or a mixture of both, in and around the Trafford Park Development Corporation area and the Enterprise Zone east of Manchester.

Mr Jungmayr noted that MSCC was doing its project appraisals on the basis of rents of £2 a square foot in the Enterprise Zone and £7 a square foot outside. These are conservative figures given the growing strength of the Manchester office market. He is emphatic that the yield from a fully let property has to exceed the cost of money.

But these are early days. The value of MSCC's land and buildings, at the end of 1987 was £38.5m, the same as at the end of 1986. By the end of this year, it should be possible to see how successful is the company in raising its asset value.



ON THE banks of the Ship Canal, MSCC has some 4,000 acres of land. Recently it has been buying small chunks of land, a quarter of an acre here and there, to round off its sites.

The priorities for development are at the western end, concentrated on the Trafford Park Development Corporation area and the Enterprise Zone within it. This is where the market demand is strongest and the existence of the Enterprise Zone provides a convenient tax shelter.

But MSCC is also aware of the political push behind development in these Government-designated areas and is conscious of the fact that if it does not use its land, it could lose it. The Development Corporation has the power to take land over.

In the area around Manchester then, the biggest MSCC plan is for a £150m shopping and leisure centre on 300 acres in the Development Corporation area south of the Ship Canal. It is by no means clear it will go ahead. It is one of a series of proposals for major shopping centres around Manchester currently being considered by the Environment Department after public enquiries. There could be a decision at the end of the year.

Also within the Development Corporation area, plans are evolving for 600,000 square feet of office space and a start is being made with a 70,000 square foot building in a joint venture with G.E. Morris.

In the longer run there could be a leisure scheme around the docks on the uppermost reaches

of the Ship Canal and just to the East, provided there is Government aid, a mixed development based on old warehouses.

On the Salford side of the Ship Canal there could be a further large development providing 750,000 square feet of space, of which two thirds would be offices. But the rate at which offices would be developed will depend upon assessments of the market take-up and nothing is likely to happen without some element of pre-letting.

To the east of Salford there is Waste Quarry, about which there has been vague talk, although not from MSCC, about an Olympic Stadium.

As the Ship Canal winds eastward it passes Irlam where both MSCC and the Development Corporation hold land. They are

negotiating with Highland Participants, which is behind the privatising port of Boston in Lincolnshire, about a new docks operation.

Further east still, at Arpley, between Runcorn and Warrington, MSCC has a controversial joint waste disposal venture with the Cheshire County Council. The two are involved in a company with a British Coal subsidiary and Bio Treatment of Cardiff on extracting gas from the waste.

Nearer the coast, the commercial opportunities are more limited, in the MSCC view. The previous owners, however, did have planning permission for a retail development at Ellesmere Port. The new owners are doubtful about the likely demand.

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ARTS



EXHIBITIONS

LONDON

The Royal Academy, Cézanne - The Early Years 1859-72. A concentrated and illuminating study of the formative period of one of the greatest artists of the 19th century...

The Hayward Gallery. (Two exhibitions) Andy Pangloss is a fascinating study of a group of young painters active in Melbourne during and just after the Second World War...

National Portrait Gallery, Paozoz Portraits. A small but intriguing show of a body of recent work on a subject that has fascinated the Scottish sculptor, Eduardo Paozoz...

representation of a seated woman by Picasso, a pastel of two dancers by Degas, and another by Gauguin showing two boys fighting. Monet is there with a Giverny landscape, and an unusually structured Bonnard piece...

Centre Georges Pompidou, The Piles, taking over Beaubourg for three months from the ground floor upwards. The postwar creative dynamism of the Piles is represented...

(1820-1892), whose visionary representations of the sea and the skies have been repeatedly shown in New York, the British Museum, London, and the Romisch-Germanisches Museum in Cologne...

Amsterdam, Tropenmuseum. The arts and crafts of Indonesia, illustrated in more than 300 objects in bronze, bamboo, textiles and precious metals spanning 2,000 years of Indonesian history...

Grand Canal changes to give a complete picture of this extraordinary city which dominated trade in the Mediterranean for over 1,600 years before their capital, Carthage, was finally destroyed by the Romans in 146 BC...

Amsterdam, Tropenmuseum. The arts and crafts of Indonesia, illustrated in more than 300 objects in bronze, bamboo, textiles and precious metals spanning 2,000 years of Indonesian history...

Van Gogh, too, is well represented with his famous Arlesian landscape and landscapes with tormented streets. There is Cézanne's portrait of his wife, a 'bald' scene by Gauguin, and a study of a woman by Matisse...

Amsterdam, Tropenmuseum. The arts and crafts of Indonesia, illustrated in more than 300 objects in bronze, bamboo, textiles and precious metals spanning 2,000 years of Indonesian history...

Washington National Gallery. More than 100 masterworks from a superb 18th-century collection of French art, including the 'Fountain of Regeneration' by Jean-Baptiste Carpeaux...

Amsterdam, Tropenmuseum. The arts and crafts of Indonesia, illustrated in more than 300 objects in bronze, bamboo, textiles and precious metals spanning 2,000 years of Indonesian history...

Tokyo National Museum. View of the city and the sea, a view of the city from the sea, a view of the sea from the city, a view of the city from the sea...

Amsterdam, Tropenmuseum. The arts and crafts of Indonesia, illustrated in more than 300 objects in bronze, bamboo, textiles and precious metals spanning 2,000 years of Indonesian history...

OPERA AND BALLET

LONDON

Coliseum, London Festival Ballet with Swan Lake and an interesting set of triple bills. (836 3161).

PARIS

Paris Opéra (Palais Garnier), Pier Luigi's production of Norma, conducted by Maximiano Valdes, holds brilliantly the strands of the romantic tragedy...

ning of a 20-week season that includes new productions of Rigoletto, Il Barbiere di Siviglia and the world premiere of Jay Ried's Rappin'...

National Ballet of Canada. A week-long season featuring Onegin choreographed by Cranko in one programme, followed by La Ronde performed with Elise Smeke...

Macbeth (Verdi), with Shirley Verrett, Justino Diaz and the Fujiwara Opera Company, conducted by Michelangelo Veltri...

THEATRE

LONDON

Too Clever by Half (Old Vic). A fitting Gogol production by Richard Jones of Ostrovsky's Diary of a Madman...

The Common Pursuit (Phoenix). Second and final chance for a new Simon Gray comedy about Cambridge graduates in love and public life...

a Goyaesque 19th century Spanish slave colony. Miranda Richardson and the Black De Flores of George Hearn...

South Pacific (Phoenix). A new production of the musical by James Wilby and Patrick Bowler...

Easy Virtue (Garrick). Transfer of Noel Coward's comedy of early Noel Coward, some period but lesser wit...

poisoned marriage nearly undermines an old burlesque reunion in a doomed theatre. (778 3866).

Requiem (Aldwych). New Tom Stoppard's play about a man who has higher physics. Felicity Kendal is the eponymous intelligence agent...

The Man Who Mistook His Wife For A Hat (Alice Tully Hall). Michael Nyman's chamber opera, which was drawn enthusiastically from its American premiere last year...

A Chorus Line (Sondheim). The longest-running musical in the US has not only inspired Joseph Papp's Public Theatre for eight years but also updated the musical genre with its backstage story...

Les Misérables (Broadway). Led by Colin Wilcock, replacing his West End role as Jean Valjean, the magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in poignancy and drama...

Fences (48th Street). August Wilson hits a home-run with a tale of an old baseball player rising a family in an industrial city in the 1950s...

nish, with its magical quick changes, acrobatics, and a climactic flying act. (641 2121).

Opera House. A new production of The Phantom of the Opera (Musical Theatre). Japan's leading musical company, Shochu, equips itself with the latest original carbon copy of the London original...

Chicago (Goodman). Set in Chicago in the 1940s, this Rodgers and Hart musical, directed by Robert Falls, follows in haunting melodies the escapades of a classic love triangle...

with its magical quick changes, acrobatics, and a climactic flying act. (641 2121).

Opera House. A new production of The Phantom of the Opera (Musical Theatre). Japan's leading musical company, Shochu, equips itself with the latest original carbon copy of the London original...

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THE NATIONAL COMMERCIAL BANK (A JOINT LIABILITY PARTNERSHIP) SAUDI ARABIA BALANCE SHEET AS AT 30TH ZUL-HIJJAH, 1407H. (24TH AUGUST, 1987)

Table with columns: ASSETS, CAPITAL & LIABILITIES. Rows include Cash Funds, Deposits with Banks, Investments, Loans and Advances, Fixed Assets, Capital Reserves, and Other Liabilities.

AUDITOR'S REPORT

We have examined the audited Balance Sheet of THE NATIONAL COMMERCIAL BANK (A JOINT LIABILITY PARTNERSHIP), as at 30th Zul-Hijjah, 1407H (24th August, 1987)...

NOTES TO THE FINANCIAL STATEMENTS 30TH ZUL-HIJJAH, 1407H (24TH AUGUST, 1987)

1. GENERAL. The National Commercial Bank is a joint liability partnership established in Saudi Arabia in accordance with registration certificate No. 48...

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH ZUL-HIJJAH, 1407H (24TH AUGUST, 1987)

Table with columns: 1407H S. Rls., 1406H S. Rls. Rows include Income from Exchange Transactions and Other Services, Expenses, and Net Profit for the Year.

MUSIC LONDON, WEST GERMANY, CHICAGO, TOKYO, NETHERLANDS, ITALY. Listings for various orchestras, festivals, and performances.

MAYFAIR CARPET GALLERY CLOSING DOWN SALE 75% OFF LAST DAY SATURDAY FOR EXAMPLE: KASHMIR BOKHARA SIZE 6 x 4 £ 150...

ARTS

Cinema/Nigel Andrews

Confused love life of a DIY movie maker

Sherman's March directed by Ross McKelwee
Dark Eyes directed by Nikita Mikhailov
The Pointsman directed by Joe Stelling
The Monster Squad directed by Fred Dekker
Police Academy 3: Assignment Miami Beach directed by Alan Myerson

Sherman's March is the best comedy in town. Filmmaker suffering from starvation after seeing Woody Allen's September should march straight down from the Odeon Haymarket to the ICA.

Indeed the trail of chaos McKelwee leaves in his wake is a Sherman's March translated into human comedy. By close of movie our lens-addicted hero is complaining, "My life has fallen into the crack between my real self and my film."

The rest of the week consists of frat craft likely to sink at the first spot of rain. The only semi-sprightly vessel is Nikita Mikhailov's Dark Eyes.

shoulder like some bizarre mechanical parrot. McKelwee manifests himself in mirror shots or allows the camera its tell-tale wobbles as he steps into boots or scuffles in crowds or snatches kisses when leaving or greeting friends.

Meanwhile the folks in front of the lens either play up to it like pantie-less Fat, or scream at McKelwee to put it down. "Turn it off!" says his irrepressible match-making friend Charleen, busy trying to introduce him to Deedee. "This is not art, it's life!"

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Ross McKelwee, begetter of "Sherman's March"

Time: late 19th century. He falls in love with a married Russian woman (Elena Sofonova) at an Italian spa and follows her all the way to Russia. Here his progress becomes as giddily and mistakenly fated as that of Gogol's Government Inspector.

Mastroianni, the only actor who can be debonair and down-trodden at the same time, won and deserved last year's Cannes Best Actor award.

The Pointsman, shot in Scotland by Dutch director Joe Stelling, is more like your granddad's coal cellar. This dim, cobwebby movie begins with a promisingly betsy plot premise and then has no idea what to do with it.

the good sense to throw it all back.

Clumping out at us in this spoof horror lark are Dracula, Frankenstein's monster, Wolfman, the Mummy and the Creature from the Black Lagoon.

With all this midsummer drivel around, Britain's distributors have the nerve to shove Paul Schrader's Light of Day, starring Michael J. Fox and Gena Rowlands, into a couple of outlying London cinemas this week.

Finally, a warm and disbelieving welcome to Channel 4's "Movie Masterclass" series. Can it be that a serious programme about cinema has at last hit the airwaves?

It scarcely matters that the standard is uneven. Mamoun Hassan comes top with a sharp-eyed look at The Seven Samurai, Jack Gold is good if dull on The Battle of Algiers, and dear old Lindsay Anderson on My Darling Clementine seems caught in a holding pattern on the word "poetic."

The Man of Mode/Swan

Michael Coveney

George Etherege's The Man of Mode is one of the finest of Restoration comedies. Garry Hynes, in her RSC debut production in the Swan at Stratford-upon-Avon, has disappointingly little to add to this received wisdom.

Two years separate these plays in the middle 1670s. But whereas Wycherley anatomises a craven, commercial social scene through the experiences of a War veteran and implicated moraliser, Manly, Etherege monitors a familiar Court-based genre of sexual intrigue and deceit with the incisive and tolerant contempt of a favoured diarist.

We have all known for decades that this genre goes deeper than ribbons and frippery. So it is no surprise that the designer, Uitz, chooses to deny us views of Hyde Park and the Mall, coffee houses and bachelor lodgings and, more to the point, all mirrors and glasses endemic to the Narcissistic imagery.

Instead, the action unfolds on a stark black box punctuated with burning peep-holes, craters randomly gouged out of the gloom to signify an infernal dungeon of the emotions.

Because he owned racchoses and slept with actresses, Edward VII has come down as a popular monarch, with the posthumous accolade of a lightweight television serial about him.

The Royal Baccarat Scandal/Chichester

Martin Hoyle



Fiona Fullerton and Keith Michell

Because he owned racchoses and slept with actresses, Edward VII has come down as a popular monarch, with the posthumous accolade of a lightweight television serial about him.

Keith Michell's Sir William clutches fists, raises his arms, and conjures up a long-departed style of acting under the guidance of Val May, who directs as if manipulating waxworks.

La traviata/Glyndebourne

David Murray

The Peter Hall production of Verdi's opera was new last summer. Colleagues found it wistful on the first night, though I enjoyed it later on television - but in any case it is new all over again now.

Walter MacNeil repeats his outstanding, plausibly romantic Alfredo, stylish and wielding well-studied Italian. Germont père is Timothy Noble, who made only a mellifluous bland Boccanegra two years ago but is much more comfortable with this simpler father - for he plays him as a warm, decent, blinkered old buffer, remorseful at the end without really having understood anything.

The small supporting roles are in good hands, and they enjoy the characterful touches Hall has bestowed on them. Flora's party is a thoroughly louché affair (excellent for showing what Violetta is coming back to), and the "Spanish Interlude" - usually tedious - is a brew of maison priée indecency and deathly premonitions.

Ken Noda/Wigmore Hall

Andrew Clements

The pivots of Ken Noda's programme on Wednesday - Brahms's F minor Sonata and the original solo-piano version of Gerashwin's Rhapsody in Blue - implied a big, forthright technique, perhaps a certain flamboyance too.

Noda's consistent emphasis of left hand over right gave a strange slant to many passages: it was odd to hear the bravura scales of the last movement, for instance, relegated to faint details, particularly from a pianist obviously more than capable of delivering them with high-profile panache.

Saleroom/Antony Thorncroft

Record for Palmer

There was a surprise disappointment in Sotheby's sale of British watercolours yesterday when a Turner view of Bonneville in Savoy was mopped at \$35,000. It is regarded as an important early work, drawn in 1802 on the artist's first visit to the Alps.

Sotheby's also found happiness in Chester, establishing an auction record price for the oddball artist Charles Spenceclay. "Market day," which shows one of the old men he liked to portray as images of himself, preparing a few provisions for market, sold for \$36,300, double its estimate.

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POLITICS TODAY

What's now left of the right

By Joe Rogaly

WASHINGTON REAGANISM... This is one reason why federal deficit-reduction made so little headway in 1986 and 1987...

Meanwhile, in President Reagan's final months, all the movement in Congress is towards more social spending, either by government, or by business...

Mr George Bush knows as much: he stated early in his campaign that he wished to become the "education President" and supported increased spending on schools...

There is a strong belief that Mr Bush will "run as a Democrat" to catch this mood, just as Mr Dukakis, with his selection of the conservatively-inclined Mr Lloyd Bentsen as his running-mate...

This is also having an effect on the intellectual battleground. Let me explain. One of the striking features of the British Conservative Government's social policy has been the strong links of its theorists with American conservative theorists...



But instincts, has a close association with the Manhattan Institute, a conservative think tank based in New York.

The Institute supported one Charles Murray in his work on a book entitled Losing Ground. Published about four years ago, the book took the view that poverty programmes do not work.

In the United States there was an initial perception that the Murray book might actually set the agenda for the 1988 election, just as a much earlier book of the opposite persuasion, Michael Harrington's The Other America, helped shape opinion in favour of the Great Society social expenditures of the late 1960's.

You cannot solve the problems of the poor by throwing money at them. It still has that function in some state legislatures. But, to take one example, Robert Greenstein, director of another, more liberal, think-tank in Washington, who originally spent much worried energy writing rebuttals of Murray, now agrees that the ideas in Losing Ground are no longer on the agenda of federal politics, let alone setting it.

Since Monday I have been approached by beggars at least a dozen times, in streets around the White House. This did not happen during the Great Society years. Washington residents confirm that it has been a growing phenomenon over the past four or five

Lombard A new deal for motorists

By Michael Prowse

SMUG CONSUMERS in the Western democracies look down on their counterparts behind the Iron Curtain with pity and condescension. These poor people are seen as the victims of a hopelessly inefficient economic system. For decades, they have endured empty supermarket shelves, queues for meat, and long waiting lists for "luxuries" such as motor cars.

Yet, by and large, people are as passive in the face of these difficulties as Polish women in a bread queue. Traffic congestion is accepted as just part of life. A solution is not expected. In the aftermath of a particularly spectacular jam, ministers mutter about the need for new roads and commission consultants to examine ways of easing traffic flow.

Western politicians are in no doubt about the cure for queues and shortages in the Communist world. Stop relying on central planning and bureaucratic fiat, they say, and let the price mechanism work its market magic. But how many of these zealous free marketeers understand that it is their failure to rely on the price mechanism that lies at the heart of the horror of traffic congestion in the capitalist world? For some

reason, UK motorists are asked only to pay lump sum taxes for the use of roads - such as vehicle excise duty. No effort whatever is made to charge motorists for the marginal cost of using roads, even though this varies tremendously according to location and time of day.

Suppose the choicest goods were placed on supermarket shelves only between 8am and 9am and 5pm and 6pm, and that everybody had access to them, for no fee, provided they paid an annual "supermarket levy". A certain "rush hour" congestion might then be expected. This ludicrous state of affairs could be slightly mitigated by "bus" lanes for those with particularly large trollies. But the only sensible solution would be the introduction of pricing for goods as and when bought.

It is nearly 25 years since the government-appointed Smeed Committee concluded that it was technically and economically feasible to use the price mechanism to regulate traffic flow. Today, it would not be necessary to rely on crude tolls (although these would help); electronic devices set in roads could allow fine gradations in fees charged. Yet ministers continue to behave as though congestion were a nasty necessity. They say charges would bear more heavily on the poor than the rich. Of course they would: all prices do. But the strong case for redistributive taxes has nothing to do with the equally compelling argument for economic pricing.

The Thatcher Government should recognise that its East European road economy is not working. It is time to experiment with road pricing, both within city centres and on motorways. Motorists have been allowed to repeal the laws of economics for far too long.

Solving the drug problem

From Mr J. Stuart-Smith. Sir, I feel that Paul Maghione's somewhat disjointed response (Letters, July 12) to John Lloyd's well-reasoned article (Lombard, July 7) requires some reply.

Mr Maghione appears to believe that a drug, by virtue of being legal and accepted by society, is automatically not harmful and not a problem. This is simply not so. By far the largest drug problems today are caused by alcohol and tobacco. These problems are not trivial: by any measure, the ill effects of the proscribed drugs pale into insignificance in comparison.

Having said that, there is clearly a need to control the problems of illegal as well as legal drugs. It may be that (as indicated by the Dutch experience) in the case of "soft" illegal drugs, the most effective way to do this would be to legalise them to some extent.

Any realising change from tobacco or alcohol to cannabis use might even be socially beneficial: evidence does tend to indicate that cannabis is less harmful to health than either tobacco or alcohol. The fact that this does not accord with Mr Maghione's beliefs is unfortunate but does not affect the truth.

It is also worth noting that cannabis, as well as being less harmful than alcohol, could be considered to have socially more acceptable effects on the user than does alcohol taken in large quantities.

The answer to society's drug problem is not clear but neither, I think, John Lloyd, would advocate prohibition. It is probably undesirable to deprive society of all drugs and it has been clearly demonstrated in the US that prohibition does not work.

Letters to the Editor

However it is equally clear that the solution does not lie in saying that all established legal drugs are "good", all illegal drugs are "bad" and that society will fix its boundaries between the two in any way.

J. Stuart-Smith, 74 St Bernard's Road, Oxford

The small saver's bank

From Mr L.P. Mecklenburgh. Sir, Your editorial on the Department of National Savings and a suggested need for restructuring (July 11) gives cause for concern. You rightly point to the importance of National Savings to small savers, the elderly and the young. It is well administered, provides an efficient, easily accessed service and above all gives total security for savings. Through its various instruments of investment and the simplicity of its procedures it provides arguably the best and certainly the simplest means of setting up trust funds for children. Through its investment accounts, index-linked certificates, and facilities for gilts transactions through its bonds and stock office, such trust funds which I suggest is unequalled elsewhere in the market.

Throughout its history, its great strength in its appeal to those members of the nation to whom it is principally directed, is that it is directly administered by the British Government. The

Responsibilities to Namibia

From Mr Peter Manning. Sir, I was interested in your report of the comments made in Lusaka by Mr Neil Kinnock, the Leader of the British Labour Party ("Kinnock denounces violence by ANC", July 12).

Had Britain and other Western countries fulfilled their responsibilities toward the United Nations trust territory of Namibia and, through economic sanctions, forced South Africa to cease its illegal occupation of Namibia, Mr Kinnock and other Western leaders might have some room to talk about the use of violence by the South West People's Organisation (Swapo).

After 10 years of South African defiance of the Western-designed plan for independence elections in Namibia (now UN Security Council Resolution 435), Britain still offers practical encouragement to South Africa's military occupation of Namibia. It does this by providing the world market for Namibia's diamonds and karekool pelts and British Nuclear Fuels admits that 80 per cent of the uranium it processes at its Springboks plant is of Namibian origin (FT, February 25).

Swapo takes the principled position of attacking only South African military, police and certain economic targets but does not attack civilians. Peter Manning, 95 Gillespie Road, NS

Risks should be shared too

From Mr Philip Mickelborough. Sir, If barristers were to introduce a system of contingency fees payable only if their client won there would not be a problem over the payment of successful defendants' legal costs. There is a general principle in most aspects of life that when rewards are to be shared the risks should be shared also. In this case the defendant's costs would be met by the plaintiff and his counsel in the same ratio that their winnings would have been split. If one party could not meet

his debts the other would be responsible for the deficit.

I believe that barristers use the phrase "jointly and severally" when it applies to other people's money. Philip Mickelborough, 89 Kingsbury Street, Marlborough, Wiltshire

Investors could not reasonably have asked for a better performance

From Mr Jeremy Hale. Sir, Last week (July 11) that "foreigners have proved lamentably poor judges of the Japanese equity market lately." This is simply not true. In fact, foreigners' activity in the Japanese market over the last year or so has been remarkably well timed, as is shown in the figures attached. For example, foreigners were selling equities into strength as the market rose to an initial peak in October, thus effectively selling at the top. They then maintained these net sales in the fourth quarter as the Japanese market fell between October and the end of 1987 - a period of weakness which is now often forgotten. Then, when the market recovered sharply in the New Year, foreigners were net buyers between January and

Table with 4 columns: Month, Foreigners' purchases of Japanese equities, Percentage change Nikkei index, Net long-term capital outflow from Japan. Rows include 1987 Q2, 1987 Q3, 1987 Q4, 1988 Q1, 1988 April, 1988 May.

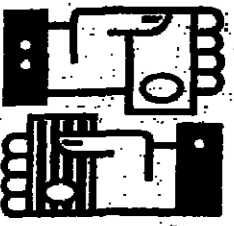
Admittedly, equity-related outflows have increased by considerably less but this does not imply that the Japanese equity market is unaffected. Japanese bond yields have risen by over 100 basis points over the last 4-5 months, partly in response to a flow of fixed income funds into foreign markets (mainly the US). This may eventually leave bond yield/equity yield comparisons as unfavourable as they were in October last year, prompting another significant correction in Japanese equities.

One final point: the Bank of Japan, not the Bank of Tokyo, determines Japanese interest rate policy. Jeremy Hale, Goldman Sachs International, 5 Old Bailey, EC4

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SECTION III

FINANCIAL TIMES SURVEY



Politics, rather than economics, now dominates official policy towards exchange rates, writes

Phillip Stephens. Despite its latest rise, governments still fear an eventual 'hard landing' for the dollar, which could drag the US and its partners into recession.

Waiting for November

THE MOST striking characteristic of the foreign exchange markets over the past few years has been their capacity to defy economic logic — and 1988 has proved to be no exception.

The dollar's startling rebound, the pound's gains against other European currencies, and the weakness of the Deutsche Mark in the European Monetary System (EMS) have once again demonstrated the ability of global capital markets to ignore, for a time at least, the underlying forces in the world economy.

In parallel, as forecasts at the start of the year that the US currency faced a free-fall against other major currencies have failed to materialise, the general perception has been of a period of calm.

That in part is simply a reflection of the extent to which both governments and business have become inured to wild fluctuations in exchange rates.

A decade ago it would have been laughable to describe a six-month period, during which the dollar rose by 15 per cent against the D-mark and by more than 10 per cent against the Yen and sterling, as one of relative stability.

More centrally, however, the

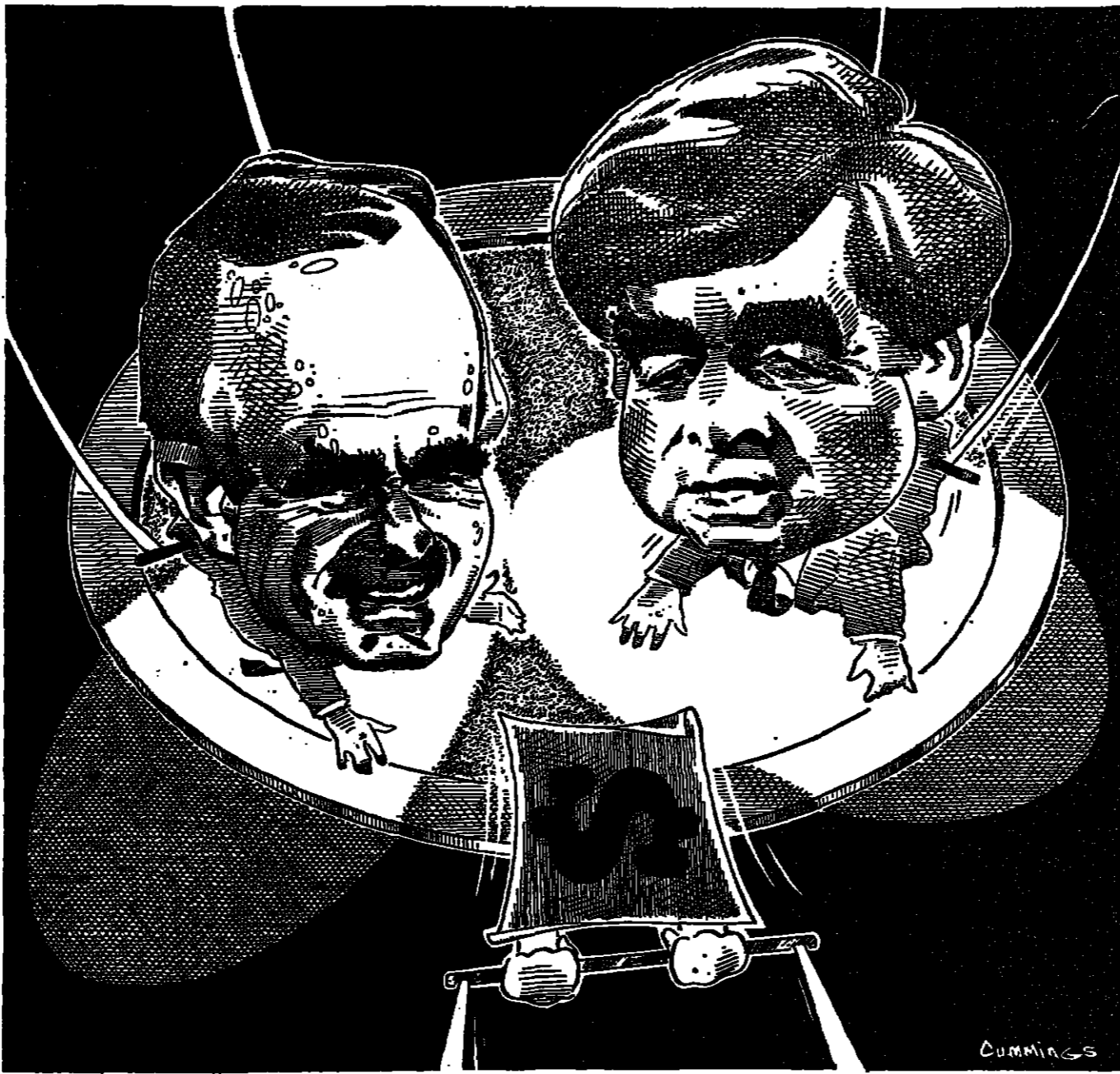
perception reflects the view among governments that the central risk facing the world economy remains an eventual 'hard landing' for the dollar, which could drag the US and its partners into recession.

With the November presidential election looming closer and last October's stock markets crash still fresh in most people's minds, it is politics rather than economics which now dominates official policy towards exchange rates.

The overriding aim of the Group of Seven nations, as reflected in the communique released after last month's Toronto summit, is to preserve calm until either George Bush or Michael Dukakis is installed in the White House.

Then, official thinking runs, governments will have the opportunity to provide firmer foundations for currency stability by tackling the fundamental problems underlying the huge US trade deficit and the parallel Japanese and West German surpluses.

The new president will be expected to produce a credible programme of reductions in the US Budget deficit, and West Germany and Japan will face pres-



Foreign Exchange

sure to respond with a strengthened commitment to stimulate their economies.

In the meantime, private investors outside the US must be persuaded to continue financing the trade deficit. After buying \$140bn of US securities in 1987, central banks outside the US believe they have done their share.

The dollar's gains over the last few months have generated some optimism among policymakers that the markets may deliver the breathing space they need. Washington's ready acceptance of the appreciation has reflected its concern both to blunt upward pres-

sure on US interest rates and to provide a cushion in the event of renewed speculative attacks on the currency.

Below the surface, however, official confidence that the markets will deliver such a breathing space is as much an expression of hope as of expectation.

Despite the reemergence on Wall Street of predictions that the decline of the dollar may finally be over, few policymakers believe that its recent gains can be sustained. A set of bad US trade figures (those for May are due this week), another trans-

atlantic dispute over interest rates, or a resurgence of concern over inflation are among a number of factors that might shatter the calm.

Pessimists see clear parallels between recent events and developments during the summer of 1987 which preceded the stock markets' crash and the subsequent slide in the dollar's value. Then, as during the last few months, the dollar was rising, the US trade deficit was apparently shrinking and interest rates outside the US were rising.

Since last year, there has of

course been a further visible improvement in the US trade gap. The longstanding shifts in the volume of trade flows, in response to the dollar's depreciation since 1985, are finally being translated into a significant narrowing of the monthly gap.

On a seasonally-adjusted basis, the monthly trade deficit averaged just under \$12bn in the first four months of this year, down from over \$14bn in the second half of 1987. The volume of exports in the latest period was 25 per cent higher than a year earlier. Imports were up by only 4.5 per cent.

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It is these figures which have persuaded investors, particularly in Japan, that they can resume their purchases of US assets to finance the deficit without running the risk of further heavy exchange rate losses. That in turn has pushed up the dollar's value.

The problem, as the Bank for International Settlements (BIS) noted in its annual report last month, is that a world dominated by high-speed capital mobility is also one dominated by expectations. Put more simply, private investors will have to be persuaded that the narrowing of the trade gap seen so far will be sustained at a reasonable pace over the next few years.

The economic evidence suggests that such a trend is far from assured unless the US delivers sizeable cuts in the budget deficit and the surplus countries accelerate the pace of growth in their economies.

Both the International Monetary Fund and the Organisation for Economic Co-operation and Development, for example, believe that, on the basis of present exchange rates and policies, the US current account deficit will average around \$130bn over the next few years. That is more than \$30bn below its peak in 1987, but nonetheless implies a build-up in the US external debt to over \$1,000bn in the early 1990s, a figure which might dull the appetite for US bonds of even the most optimistic Japanese investor.

Against that background, the dollar's recent appreciation has created more unease outside the US than within. The private fear of some European policymakers is that, while a stronger dollar now may be politically convenient for Washington, the eventual result may be yet slower erosion of trade imbalances and, possibly, a less manageable slide in the US currency's value later this year or next.

"No one wants a further large fall, at least until the US delivers credible cuts in the Budget deficit, but a rising dollar is building up problems for the future," is how one European central banker puts it.

It is not only the dollar which has been unpredictable. The sharp appreciation in sterling's value against the D-mark, during a period when the Britain's trade position has been deteriorating

rapidly, looks equally unsustainable. The conventional explanation is the high level of British interest rates relative to the rest of the world. But the extent of the upward pressure on the pound, seen over the last year (and only partially reversed in recent weeks), provides further evidence of the increasingly short-term perspective of foreign exchange markets.

It is hard to find a single trader who believes that the pound will appreciate over the medium term, but there are scores who believe there may yet be profits to be made from a rising pound in the short term.

The dollar's gains, meanwhile, have distorted currency relationships within the EMS, weakening the D-mark against the French franc and Italian lira and removing pressure for an early realignment of parities. Short-term movements are again pointing in the opposite direction to any reasonable expectation of medium-term trends.

France — and to a lesser extent Italy — has made significant advances in both reducing inflation and in improving its productivity performance, so the ritual devaluations of the early 1980s to take account of inflation differentials with West Germany may no longer be needed.

At the same time, however, West Germany's partners may well be unwilling to accept the severe balance of payments constraints on faster economic growth presented by the D-mark's current parity in the EMS.

As the BIS puts it: "For a country within the EMS, it is considered to be asking for trouble to grow more strongly than Germany, which, however, is itself no more prepared to take on a locomotive role in the European context than on a global basis."

At some stage, all of these misalignments will have to be reversed. And an eventual fall in the dollar's value may provide the trigger for shifts in sterling's value and for a realignment in the EMS.

The question is whether the markets will be as patient as the politicians, and give a new US president the opportunity to manage a "soft landing"; or whether, like last autumn, they will seek to impose their own remedies.

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MIDLAND MONTAGU

FOREIGN EXCHANGE 2

The soaring yen

Productivity and low costs help to sustain exports

SINCE THE Plaza agreement of September 1985, the yen has risen from 230 to the dollar to a range of about 125-130 to the dollar. Japanese industry has shown remarkable resilience in coping with such a wrenching change that export volumes are even on the rise again.

European currencies. In May, it moved from Dm74.60 to Dm72.40. There are fundamental reasons for thinking that it will move up again against the dollar. Mr Russell Jones, of Hoare Govett, and Mr Kenneth Courtis, of DB Capital Markets, are just two Tokyo-based securities-company economists now telling their clients to expect a rate of 115 to the dollar in the near-to-medium term.

new products with lower break-even points and increased productivity, the yen value of Japanese export prices has been cut by about a quarter since 1985. That has helped Japanese companies sustain, and now increase, export volumes, so keeping export earnings surprisingly insulated from the high yen.

Japanese exporters are even more sanguine (or confident) of their ability to sell abroad, however high the yen moves). An informal survey by the Ministry of Trade and Industry, in March and April, found that Japanese

would exert further upward pressure on the yen. There is a strong, and building, structural pressure on the current-account surplus to remain large. Japan's surplus savings, put aside by households to pay for education, old age and housing, are far in excess of private investment and public-sector net expenditure. This surplus and the excess of Japan's swelling capital outflow in the 1980s.

A build-up of liquidity is in the offing to exceed even that of the past two years. Household savings ratios are rising again on the back of increases in real wages. Corporate liquidity is at its highest level since 1972, and increasing at a faster rate than company's capital investment, which is again picking up.

Public sector spending will rise 4.8 per cent in the current financial year, and can be boosted further with a supplementary budget, tax cuts or asset sales, if necessary. The trade surplus, even if falling, is still in excess of 2 per cent of gross national product.

Japanese policy-makers are constrained in mopping up this extra liquidity. Any significant tightening of monetary policy would jolt up interest rates, narrowing the spread between yen and dollar bonds. This the authorities are trying to keep wide and stable, in order to keep the dollar stable. A hard landing for the dollar in such circumstances would unsettle both currency and equity markets worldwide, possibly catastrophically.

THE AUSTRALIAN dollar, Spanish peseta and Danish krone may not have the glamour of, say, the dollar or yen, but in the last year they have proved worthy rivals. While the attention of international markets seems focused on trading the dollar, Deutsche Mark, sterling and yen, other currencies have offered potential rewards (and risks) at least as great as the big four. Like unspoil beaches, the problem is that once discovered by more than a few, they can lose their appeal.

Investors are looking increasingly for high interest payments as well as currency appreciation. "With the world currencies moving towards a more fixed exchange-rate regime, the obvious strategy is to buy high yielding currencies," says Mr Chris Wright, deputy manager of the economics department at Barclays Bank.

Most recently the second-tier currencies have lost a little of their appeal as the exchange markets have encountered turbulence. With first sterling and then the dollar seeming to become one-way bets, the interest in alternatives that had been building for perhaps a year before began to wane.

Such fickleness suggests that foreign exchange markets act in a relatively unsophisticated manner. Mr Paul Chertkov, economist at Hoare Govett, says investors prefer to play the main currencies unless a patch of stability cuts profit-making opportunities.

"If you cannot get a strawberry ice cream, you might go for pistachio," he says. "But now people are going back to their main favourites." The more adventurous flavours that have been popular with investors in the last year include: Australian dollar: Since the beginning of the year, it has risen by about 15 per cent against the US dollar, and about 20 per cent against sterling. Its strength has been underpinned by high interest rates.

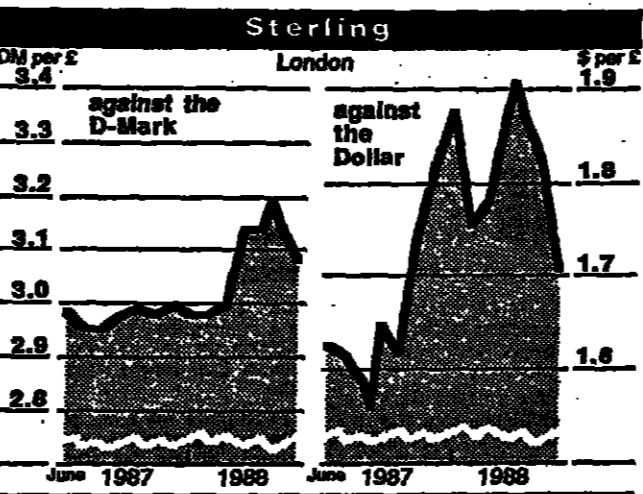
Another category of currency that may grow in popularity in the months ahead is that of the emerging economies, such as Taiwan and South Korea. Growing competitiveness against the US could lead to a significant revaluation - particularly if the strength of the dollar were to begin to wane as a result of a worsening trade position.

The difficulty for investors is to judge the timing - even if an appreciation is forthcoming, a greater return might have been obtained on an investment in a higher yielding currency. In Europe, currency markets are dominated by the European Monetary System. With revaluations comparatively rare, there is usually relatively little scope for movement - although the Italian lire moves within a wider range than the others.

However, in a business where investors seek undiscovered niches, this may prove a blessing in disguise. Mr Wright, of Barclays economic department, says: "At the City level, the market floods with information on the dollar, D-mark, yen and sterling, but there is not the same level of published material on smaller currencies. It may well be that they are under-marketed."

Smaller currencies have gained popularity among investors in the last 12 months

Some tasty flavours from the second shelf

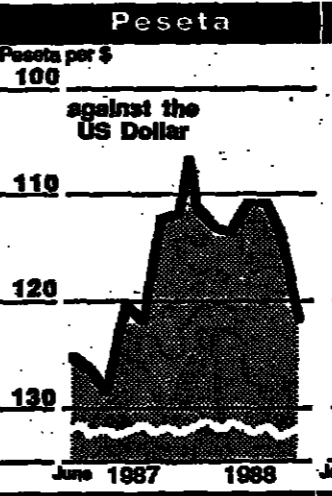


beginning of the year, it has risen by about 15 per cent against the US dollar, and about 20 per cent against sterling. Its strength has been underpinned by high interest rates.

Sterling: inflation and the trade gap are the spectres, and . . .

Interest rates the weapon

ON MARCH 10, three days after the Government decided to uncap sterling and when the pound was trading around Dm3.05, Mr Nigel Lawson, the Chancellor, told the House of Commons that any further currency appreciation, especially against the Deutsche Mark, was "unlikely to be sustainable".



had been well telegraphed to markets since last summer. Foreign investors saw little "downside risk" in buying sterling assets in increasing amounts in February and March.

Upward pressure on the pound has been building in the first week of March. The Bank of England accumulated more than £2bn over three business days to hold the Dm3.00 line - so there was little surprise that when the authorities stepped back from the market on March 7, the currency should rise and do so sharply.

which are not always at one with foreign investors in their upbeat view of the UK, the critical factor in the Government's policy is to determine whether the overall stance of policy is sufficiently anti-inflationary.

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Further rises in interest rates might lead to a wider trade gap

The pound was supported further by a dispute between the Chancellor and the Prime Minister over exchange rate and monetary policy. He has sought to emphasize currency stability and the fight against inflation; Mrs Thatcher has sought to emphasize the fight against inflation and currency stability.

Further rises in interest rates might lead to a wider trade gap

The distinction is more than semantic. Mr Lawson, from early last year until March this year, had achieved sterling stability against the D-Mark through Bank of England intervention in currency markets. This intervention, which required the selling of sterling for dollars, resulted in the Treasury adding more than £20bn to its reserves in a year.

Further rises in interest rates might lead to a wider trade gap

From the point of view of domestic financial markets, the Government had lost sight of its pursuit of monetary stability. Intervention was partly responsible for the rapid growth of monetary aggregates which carried with their growth a risk of igni-

Further rises in interest rates might lead to a wider trade gap

Simon Hollerton

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FOREIGN EXCHANGE 3

The jargon

'Bill and Ben' and the forex men

The fast-moving, agitated world of the foreign exchange dealing room is a strange place to the uninitiated. Speed and decisiveness are essential, making it necessary to have a shorthand for the terminology. That's the theory, anyway, says RALPH ATKINS, who offers a lexicon of foreign exchange lingo.

Position: Start with the basics. This is what you've got - your holdings of currencies. Long: A dealer is long in a currency when he has a holding in it. "Long of sterling," for example, means he has bought pounds and has them available for sale.

Short: The opposite of long - although it's not quite that simple. You're short in sterling when you don't have any and have other currencies to be sold for pounds.

Square: A dealer is square when he has no position and is neither short nor long in the currencies in which he is dealing. Junior dealers in many banks often start and end each day square - hoping to have made a profit in between. (Overnight positions are decided by senior managers, who have to make the difficult assessment of what is likely to happen to the value of currency holdings until the next dealing day. That is why they are senior managers.)

Cable: Shorthand for sterling/dollar trade. Hence you talk about the "cable desk," the "cable rate" and so on. It dates from the days when deals were made by cablegram.

Paris: Affectionate name for the French franc. First of a series of nicknames by which forex dealers boast their knowledge of world capital cities.

Guilder: Not so affectionate name for the Dutch guilder.

Bill and Ben: Rhyming slang for the Japanese yen. Probably not appreciated completely in Tokyo.

Kiwi: Unoriginal nickname for the New Zealand dollar.

Belg: Even less original slang for the Belgian franc.

Aussie: Australian dollar.

Suisse: Swiss franc.

Stocky: Swedish kronor - from Stockholm, capital of Sweden. (Not such a dim lot, these forex dealers.)

Copey: Danish kroner. Named, of course, after Copenhagen.

Markis: For some reason, there do not seem to be commonly agreed nicknames for the D-mark, dollar or sterling. Hence the German currency is called simply Marks. Quite right and proper if it is, too.

Yard: Forex dealers talk only in millions. If you are asked for five pounds you give 5m. (Luckily this doesn't apply in wine bars.)

Yard is used for billions.

Mine: No messing about with please and thank-you. Mine means, "I'm buying".

Yours: Shorthand for "I am selling to you. Thank you for doing business with us. I hope we will have the pleasure of your patronage again in the near future. In the meantime, have a nice day."

Spot: A spot deal means settlement within two working days. Such deals are used to establish a position.

Tomnext: Settle the next working day.

Spotnext: Settle within three days.

Spot-a-week: Settle within a week.

Spot-a-month: You are probably getting the hang of these by now.

Cockdate: Settle at some date between a week or a month.

Swaps: When currency holdings are mismatched with settlement dates, swaps are used to roll a position over from one day to the next. An example would be a dealer who is long in dollars and short in D-marks due for settlement on the next day. He sells the dollars to buy back tomorrow (remember that "mine" and "does the opposite with the D-Mark). Interest rates are then paid on each holding currency to the interest rate prevailing in the appropriate country. Spotnext, tomnext and so on are, in effect, a form of swap.

Crosses: Most currencies are quoted against the US dollar. A cross rate is between two other currencies - for instance, sterling/D-mark or D-mark/yen.

Chartists: No longer are Chartists a 19th century group campaigning for the reform of the UK parliamentary system. They are the analysts who believe currencies should be traded for profit by charting their ebbs and flows and looking for patterns. They disagree with Georg Wilhelm Hegel when he said: "What experience and history teach is this - that people and governments never have learnt anything from history."

Fundamentalists: These analysts argue that currencies ought to move according to the economic fundamentals of a country. No one has yet discovered for sure who is right, the chartists or the fundamentalists. At least, if they have, they are keeping quiet about it.

How one bank makes a profit in the volatile exchange market

Trusting in local judgment

BANKS WHICH aim to succeed in the fast-moving foreign exchange business commit themselves to huge outlays on people, equipment and communications. Although Midland Bank has retrenched part of its foreign operations to make way for its new ally, the Hongkong and Shanghai Bank, foreign exchange is one business where it aims to keep and expand - its global presence.

The nerve-centre of its worldwide currency operation is a striking blue glass building at Billingsgate, by the Thames in the City of London, the headquarters of Midland Montagu, its investment banking and treasury arm. There, in an office overlooking the stream on one side and the bank's busy central dealing room on the other, sits Mr Tom Lockett, the director in charge of foreign exchange trading and treasury sales, which last year earned Midland £12m in gross profits.

"I believe we can consistently make a profit in foreign exchange," he says. "The trick is to keep costs in the right proportion to revenues." Mr Lockett's empire consists of about 250 traders, researchers and salesmen spread in various centres around the world to cover the 24-hour trading day. The majority - about 100 - are

in London, and most of the others are clustered in two regions: North America (centred on New York) and the Far East (centred on Tokyo and Sydney). The challenge for any bank in the notoriously volatile exchange markets is to keep effective controls without stifling the trading and profit-making instincts of its dealers. Midland's approach, laid out in two thick red operations manuals, is to set strict parameters for each of its dealing centres, but to leave them free to deal largely as they like within them.

No central record is kept of the bank's positions at any one moment, so it is possible that New York might be long on the dollar while London is short, because each thinks that to be the best position knowing the local market. Although this might cause contradictions or overlaps, Mr Lockett believes it produces much more effective trading.

He also discounts the possibility that Midland could find itself horribly over-exposed to a sudden currency movement. "In an era of floating rates, the danger of something moving by more than 5 per cent is extraordinarily remote," he says.

The trading action moves with the clock from one centre to the next, and each centre is responsible for the positions it takes. As the Far East hands over to London, and London to New York, and the New York back to Sydney, dealers brief each other about their sensitivities. So if there is a sudden discount rate cut in the US, a London or a Sydney dealer will be hauled out of bed and asked whether he wants to sell out his dollars positions.



Tom Lockett: 'Keep costs in the right proportion to revenues'

Ashley Ashwood

to encourage communication between dealers, Midland sends them on regular journeys to meet each other. "The system has to work at a personal level," says Mr Richard Mahoney, who heads the 45-person dealing operation at Midland's offices high above Madison Avenue, New York. "There's a lot of trust involved. You're relying on them to be your eyes and ears in another market. That's not something management can ordain."

Mr Mahoney also believes that strong local autonomy allows Midland to develop much closer links with other banks in the New York market than if it was run from London.

For Midland, the trading day starts in Sydney, where the chief dealer Glen Rothquel picks up the overnight intelligence from New York. This is Midland's largest Far East foreign exchange operation, though the bank is also building up its presence in

the Tokyo market which is considered by most banks to be the key centre in the region. Midland has now closed down its office in Bahrain, so at the end of the Far East day, the business moves straight to London where that market gets under way at about 8am with calls from arriving dealers to their departing colleagues in Tokyo.

The climax of the foreign exchange day comes in the early London afternoon, when New York opens up and the trans-Atlantic lines hum with thousands of deals. Then the Billingsgate end begins to wind down, Mr Lockett's colleagues brief Mr Mahoney's and London goes home. At this point, the New York market quietsens down, and after lunch trading there becomes quite thin.

"It can be a treacherous market," says Mr Mahoney. "Our traders have to learn to trade two quite different markets. It takes quite a bit of finesse to manage large size business in the afternoon."

Midland has put a lot of effort into risk management products, believing, Mr Lockett says, that the scope for growth is still large. "Not nearly enough corporates are using them," he says. "There is more inter-bank business now, so there is more liquidity and prices are lower." Middle market companies, in particular, he thinks will use foreign exchange services more.

David Lascelles

The EMS

Frankfurt remains cautious

WITH A wry smile on their faces, European central bankers have a favourite rhetorical question: what would happen to the European Monetary System if, in six months, the dollar had fallen sharply and there were elections in France?

The answer they give is that a realignment of the exchange rate mechanism (ERM) of the system would have to have occurred to preserve the stability of the French franc and the Italian lira. The series of events implied in the question, of course, is precisely what happened. The answer, as recent history showed, is completely wrong.

But the fact that central bankers think in this way is an indication of what the EMS was, and a demonstration of just how far it has come since the member currencies of the ERM were last realigned in January 1986.

Talk of its being an "island of relative currency stability" is now less of a self-praise and more of a reality than it has ever been in the system's nine-year history.

However, the successes of the past six to eight months - which are in large part the result of institutional changes agreed last autumn - should not disguise the conflicts that remain within the EMS. These fall into two broad categories, which inevitably overlap: the economic and the institutional.

Because the system is dominated by the Deutsche Mark and the monetary policy of the Bundesbank, the West German central bank, some contend that the rest of the EMS members are destined to be constrained to German rates of economic growth to avoid the risk of balance of payments problems.

With unemployment in Europe high and, in the near term, possibly rising, growth stuck at the German rate of 2 per cent or less a year is politically and socially unacceptable.

It was a feature of the Bretton Woods system that deficit countries tended to bear most of the brunt of adjustment, and so too with the EMS. Those countries with weak currencies, such as France and Italy, have had to maintain much higher interest rates than German or the Netherlands.

This has led to calls, particularly from France, for greater "symmetry" within the operation of the EMS: viz. if France (and other weak currency countries) has to tighten its belt to restrain costs and inflation, Germany should be prepared to operate a more expansive fiscal and monetary policy, so the region as a whole can grow faster.

The logic of this line of argument is not self-evident - France and Italy can grow faster than Germany without threatening a balance of payments crisis if their unit labour costs grow at a slower rate than Germany's - but it seems to remain a deeply held proposition.

There are signs that the French, at least, are moderating their stance on the issue. Officials now like to talk of a policy of "competitive de-inflation" rather than competitive devaluation. They point out that the realignment of currencies in January 1986 closed the gap that had opened between French and German relative unit labour costs from 1983 until the end of 1986.

And developments in costs now appear to be working more in favour of French industry than its German competitors.

Continued on page 4



Opening Night

It's 3.00am in London. Every other trading floor in the City has been empty since the London market closed yesterday. Before they went home, those traders delegated the responsibility for the positions they had taken on behalf of their clients on the world's foreign exchange markets to counterparts in Sydney, or Tokyo - people they've probably never met and who may well work for another bank. Their actions, or inaction, will affect what your money is worth when you wake up.

We at Citibank like to keep responsibility for our clients' funds closer to home, within the same closely knit professional team you know well. So we have just opened the first all-night foreign exchange trading floor in London. As long as there's a market open anywhere in the world... we never close.

The graveyard shift was planning a little 'first night' celebration. But something's just happened to your money in Hong Kong.

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FOREIGN EXCHANGE 5

Floating rates make the corporate treasurer an important person

More join the risk business

IF CORPORATE treasurers had been around at the time of the ancient Chinese, they would surely have invented a proverb along the lines of "the most dangerous risk is the one you don't know about".

Technology

Deals system wins praise

PAUL NASH, managing director of E.P.Martin, the major foreign exchange broker and chairman of the Foreign Exchange and Currency Dealers and Brokers Association, has no doubts about Autocont's, the electronic deal confirmation system the association pioneered three years ago.

Autocont is basically a system which sends confirmation messages in agreed formats over the public packet switched network, was devised by forex dealers for forex dealers, so it is perhaps no surprise that it is a success.

Technology in forex markets has come a long way from its beginning in the 1970s when Reuters offered a simple electronic feed of real time prices, clearing the way for its present dominant position in money market information systems.

Triarch 2000 is an open trading system built around Ethernet, one of the first and most popular local area networks (LANs). The LAN is a technology which makes possible the fast and accurate movement of large volumes of information around a limited area - a single trading room, perhaps, or suite of offices - at an economic cost.

Intelligent workstations such as the IBM-compatible Reuter Intelligent Workstation (RIW) or workstations from Sun Microsystems and Digital Equipment can be attached to the network along with "application servers", computers running specialised dealing programs.

The RIW controls from a single keyboard up to five screens - a high resolution main display and four side screens each of which can be divided into three separate zones.

According to Reuter, Triarch 2000 has already secured several significant sales in Europe and Asia, chiefly to major forex trading operations.

If the automation of the supply of price information and of deal confirmation are critical to efficient forex operations, then so is automated position keeping and, by implication, risk management.

Mr David Lincoln, a director of Forex Advisory Services, a London-based company which has developed a well-regarded integrated dealer support system, argues that if City institutions are serious about participating in

exchange dealing room. Foreign exchange risks companies face fall into three categories: Transaction exposure applies where a contract with an overseas customer is arranged in a currency other than that used by a company for accounting purposes.

Translation exposure arises when a operations of a group's business sector, such as an overseas subsidiary, are accounted for in a difference currency than for the parent group.

Economic exposure applies when a currency movement has an adverse effect on a company's competitiveness. For instance, a rise in the pound, might mean a British company would find it difficult to negotiate, or re-negotiate,

contracts overseas. To an extent, it is a second-order effect of transaction and translation exposure that takes longer to take effect, but it is potentially the most serious long-term threat to a company.

The action that a corporate treasurer takes to hedge these three risks reflect the wider aims of a group. Hedging instruments can be costly and possibly affect a group's tax position, while some companies are more risk averse than others.

At the same time the appropriate action varies according to circumstances. In an industry where competitors do not hedge, for instance, a company that does, may face a cost disadvantage if rates remain stable.

There are no simple answers, but it is an area which has not been subject to as much analysis as perhaps it might have been, says Mr Gareth Jones, chairman of the ACT's technical committee.

Using a bank as an intermediary, the company can find a company in the opposite situation. The liabilities are then swapped, so that each company has its assets and liabilities in one currency. Each pays interest on the liability according to the rate prevailing in the country of the relevant currency.

The second form of forward contract is straightforward borrowing or lending of a foreign currency ahead of a transaction to protect deals against adverse exchange rate movements.

An option is the right to buy a currency at some particular price at some time in the future. Its advantage is that it removes uncertainty and can realise speculative profits if a treasurer believes it is priced wrongly. The big disadvantage is the cost, which frequently appears expensive and can prove prohibitive.

In a large company, the management of foreign currency holdings often becomes an hour-by-hour job. Volatile or unexpected currency movements can require swift reaction.

In some businesses, the corporate treasurer's department acts almost like a bank, with its customers the various parts of the business group. Most, however,

are more risk-averse than organisations whose primary purpose is speculation.

Mr Stephen Crompton, director of treasury at Beecham Group, the pharmaceutical and consumer products company, says his department operates as a profit centre in its own right. It employs a total of 13 people in the UK and the US - not untypical for a group of Beecham's size.

"Just to say that we are a profit centre and not to about risks is a dangerous simplification," he says. "We are in the business of taking risks as agreed in advance within our strategy. I don't think that is properly described as speculation."

Unfortunately, even the most risk-averse company will find there is a limit to how far hedging can be taken before cost and the mechanics of foreign exchange markets impose restrictions. However, that does not mean the job of the corporate treasurer had ended.

Mr Gareth Jones of the ACT says their role is more general than just hedging. "The key job for the treasurer is to analyse all the risk and to make sure people are aware of the risks."

Ralph Atkins



If the Market never sleeps, when can the Financial Director go to bed?

Unless you're happy to work a twenty four hour day, it's impossible to keep up with the sudden peaks and troughs of the world's currencies.

Overnight that safe as houses overseas investment can become a house of cards.

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And this is how it can work for yours. We'll assign you an Account Executive.

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loans and deposits, currency swaps to options.

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Operating in 36 countries, with a AAA rating and an asset base of over US\$160 billion, NatWest can see every move the market makes.

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Discover how Risk Management can help put your mind at rest. Call London 01-920 5095 to establish your local contact point.

Risk Management by NatWest The Action Bank

OUT OF ORDER. A recent survey states that over twenty Financial Institutions have suffered "interruptions to Trading" in the past three years. If you were asked at the next board meeting - "How would we cope if there was a dealing room failure?" - What would your answer be? The answer is available at E.T.S. For a confidential discussion call Andy Bisco on: 01-242 4200. EMERGENCY TELECOMMUNICATIONS SYSTEMS LIMITED. 19 Lincoln's Inn Fields London WC2A 3ES

Australia: 177326 - Bahamas: NS20111 - Bahrain: 8559 - Belgium: 21208 - Canada: 06-22572 - Federal Republic of Germany: 416500 - France: 210393 - Gibraltar: 2114 - Greece: 216673 - Hong Kong: 61672 - Ireland: 25166 - Italy: 320663 - Japan: 28292 - Malaysia: 33044 - Monaco: 489588 - Netherlands: 50641 - Singapore: 28491 - South Korea: K33 282 - Spain: 23572 - Sweden: 15050 - Switzerland: 812186 - UK: 885361 - USA: 233563 - USSR: 413258 - National Westminster Bank PLC. Member of IMRO. A consequence of your effecting a transaction through a branch of the Bank outside the United Kingdom will be to exclude you from the benefit of the rules and regulations made under the Financial Services Act 1986 for the protection of investors

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SECTION II - COMPANIES AND MARKETS

FINANCIAL TIMES

Friday July 15 1988

We set more wheels in motion R J HOARE Leasing Limited

La Fondiaria in link talks with UK insurance group

BY ALAN FRIEDMAN IN MILAN AND NICK BUNKER IN LONDON

LA FONDARIARIA, Italy's third biggest insurance group, is in talks with Britain's Royal Insurance about a possible joint venture...

Officials at Royal Insurance in London were plainly embarrassed by the disclosure yesterday, but said that Royal was not in a position to make any announcement...

and Münchenar is about 20 per cent owned by Royal. La Fondiaria is also interested in seeking a joint venture deal in Spain...



Robert Goldzema: expects 1988 to be a year of strong growth

Coca Cola posts 13% increase

By James Buchan in New York

COCA-COLA, the world's largest soft drinks company, yesterday reported a 13.5 per cent increase in net income in the second quarter...

Hewlett files Apple countersuit

BY LOURSE KEHOE IN SAN FRANCISCO

HEWLETT-PACKARD has filed a countersuit against Apple Computer charging that the personal computer manufacturer has used fraud and trickery in an attempt to maintain an illegal monopoly...

Microsoft programs are copies of displays used on the Apple Macintosh personal computer. HP and Microsoft both deny any copyright infringement.

Apple's suit is widely seen as an attempt to restrain new competition. According to industry analysts, the real target of Apple's attack is IBM...

According to HP, Apple also deliberately misrepresented the similarities between Macintosh displays and those produced by HP's 'NewWave' graphical interface...

Plessey in \$310m US defence deal

BY HUGO DIXON

PLESSEY, the UK electronics company, is paying \$310m (£185m) to buy the Electronic Systems Division of Singer, the US military electronics group.

Mr Bilzerian has now sold businesses which represented 1.2m of Singer's 1987 revenues of \$1.9bn...

Equipment while Plessey's strength is in ground communications equipment. ESD's most significant programme is the so-called Joint Tactical Information Distribution System...

year of \$20.6m on turnover of \$166m. Its internal projections are for profits of more than \$30m on turnover of \$900m in 1988.

Solid profits at US banks

BY ANATOLE KALETSKY IN NEW YORK

SEVERAL OF the leading US bank groups reported solid profits in the second quarter, after the huge losses they suffered on their Third World lending in the same period of last year.

Chemical said the improvement since last year reflected higher net interest income, fees for trust and other banking services, gains on venture capital activities and bond trading profits.

compared with \$118.1m or \$1.03 last year excluding the effect of Third World provisions. In the first quarter of this year the company earned \$147.2m or \$1.20.

Motorola jumps by 50% to \$120m

BY OUR NEW YORK STAFF

MOTOROLA, the Chicago-based electronics and communications company which is America's biggest manufacturer of semiconductors, reported a 50 per cent jump in earnings and a 27 per cent advance in sales in the second quarter.

Motorola earned \$120m or 93 cents a share in the second quarter, compared with \$80m or 62 cents the year before.

Comparing the results of its various businesses with a year earlier, Motorola said that the Communications sector's sales advanced by 25 per cent, new orders increased by 18 per cent and backlog advanced by 15 per cent.

AN IMPORTANT step toward a compromise in the long-running struggle for control of Gucci, the luxury Italian shoes and fashion accessories company, was achieved last night.

First Boston ahead at \$43.7m

FIRST BOSTON, the Wall Street investment bank, reported net income of \$43.7m or \$1.20 a share in the second quarter, writes Anatole Kaletsky. The results were much better than the \$13.2m or 42 cent loss announced a year earlier...

Investment banking revenues grew strongly in the latest quarter, although the six month total was well down on the previous year's achievement. In the last quarter investment banking contributed \$261.4m, against the previous year's \$245.4m...

changed little from the 1987 level. Total expenses in the latest quarter were \$307.6m, compared with \$222.4m in the second quarter of 1987 and \$288.3m in the first quarter of this year.

KUMAGAI GUMI CO., LTD. U.S. \$400,000,000 4 per cent. Bonds Due 1993 with Warrants

MCI buys back its shares held by IBM

BY JAMES BUCHAN IN NEW YORK

MCI, the telecommunications company that broke AT&T's hold on the long-distance telephone market, is buying out IBM's 16 per cent holding of its stock...

The deal will be partly financed by the sale to IBM of \$400m in preferred stock. The national, toll-free and corporate business.

The deal, which values each IBM share of MCI at \$14.40, comes amid growing Wall Street enthusiasm for MCI's prospects.

MGM's new lion shoots for the top

Raymond Snoddy analyses the philosophy of the new president at a famous Hollywood film studio

FILM PRODUCER Mr Jon Peters has not spent much time settling into his new office as president and chief operating officer of MGM, the Hollywood studios with the famous past and the roaring lion trademark.

control at MGM will be in the hands of film makers, unlike many Hollywood studios, where accountants and lawyers reign supreme. Mr Peters' film-making partner, Mr Peter Guber, will be chairman of the MGM board and chief executive officer.

The film producer says he hopes to restore MGM to the position of a major studio. He expects to achieve his aim by making his kind of pictures, such as Midnight Express, Flashdance and A Star is Born.

But any change of direction at MGM will take time because at least eight pictures are already in the pipeline. Mr Peters intends to bring together a team at the studios which can participate in the creative decision-making.

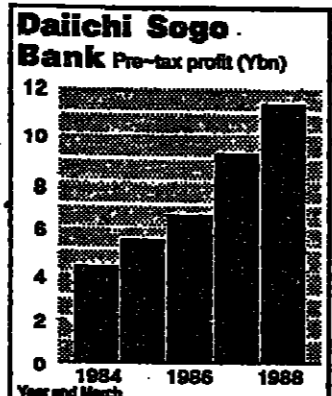
INTERNATIONAL COMPANIES AND FINANCE

Stefan Wagstyl in Tokyo reports on the Daiichi Sogo Bank affair

A frustrating test of MoF's banking control

EARLIER this year a man rammed a dumper truck full of rocks into Daiichi Sogo Bank's main branch in Tokyo in a vain protest at the bank's lending to speculative property develop-ers.

Now, officials of the Japanese Ministry of Finance are banging at the bank's doors in an equally frustrating attempt to discipline Daiichi Sogo, a medium-sized mutual bank, for allegedly break- ing ministerial rules on bank lending.



Daiichi Sogo Bank Pre-tax profit (Ybn)

placate the Finance Ministry which, according to Japanese newspapers, has been trying to remove Mr Kobayashi since March. Mr Kobayashi asked shareholders to put their faith in a management reorganisation which he carried out in late May.

old loyalties to have its way in arguments with banks. The directors of many banks are ex-ministry officials who joined commercial companies after long careers as public servants.

Hindustan Motors pushed into the red

By R.C. Murthy in Bombay

COMPETITION IN the Indian car market pushed Hindustan Motors, part of the Birla industrial group, into a loss of Rs28.9m (\$1.95m) in the year to March against a profit of Rs28.8m a year earlier.

Relaxations in import regulations and increased local production by Indo-Japanese ventures put pressure on profit margins of the Calcutta-based company headed by Mr C.K. Birla. Sales rose 15 per cent to Rs4.2bn but operating profit slipped to Rs26.5m from Rs28.8m.

Provision for interest and depreciation increased. Despite falling into the red, Hindustan Motors is to pay a 7.5 per cent dividend, down from 10 per cent, by drawing on reserves.

Hindustan Motors also makes Trekker cross-country vehicles as well as earthmoving equipment.

Mr Ratan Tata has been appointed executive deputy chairman of Tata Engineering and Locomotive Company (Telco), India's largest commercial vehicle producer and second largest private sector company with sales of more than Rs10bn.

This is the first major assignment for Mr Tata after he was named some six years ago by Mr Jhansir R.D. Tata to succeed him as head of the Tata industrial group. Mr Ratan Tata is a distant relation of the elder Mr Tata, who relinquished executive positions at the group's companies in favour of professionals as an interim arrangement.

Furukawa Electric tops expectations

By Our Financial Staff

FURUKAWA ELECTRIC, the Japanese wire and cable maker which has a superconductivity tie-up with Oxford Instruments of the UK, lifted group net profit 23.1 per cent in the year to March to Y14.46bn (\$109m) from Y11.75bn.

This is more than double the Y7bn earlier expected. The previous year included Y17.5bn in special gains, largely from land sales. These were reduced to Y8bn this time while foreign exchange losses more than tripled to Y1.8bn from Y55m.

However, operating earnings grew 38.5 per cent to Y27.9bn on sales 11.2 per cent higher at Y81.8bn.

Xenel plans first Saudi aluminium smelter

By Robin Allen in Dubai

SAUDI ARABIA'S Xenel Industries, a leading diversified group owned by the Al Reza family of Jeddah, is spearheading plans to build a \$750m aluminium smelter - the kingdom's first - at Yanbu industrial city on the Red Sea coast.

Xenel employs some 14,000 people and had 1986 sales estimated at SR3bn (\$800m). It has reportedly sent a draft prospectus on the plant - to produce 240,000 tonnes a year (t/y), expandable to 360,000 t/y - to hundreds of potential private sector investors, mostly in Saudi Arabia.

The plant would almost double existing Gulf aluminium capacity of 820,000 t/y which comes from Aluminium Bahrain and Dubai Aluminium. Another smelter, with a capacity of 180,000 t/y is planned in Qatar. All are in zones

accessible to cheap energy. Natural gas for the Yanbu smelter would be piped from the kingdom's Eastern Province, bordering the Gulf.

World prices for three-month delivery are over \$3,000 a tonne and this, together with the prospect of consistently high world demand, has encouraged Gulf states to exploit their access to cheap natural gas.

Xenel's prospectus invites participation in a new company, Alujaina Corporation Saudi Arabia, which would build the plant using technology from Aluminium Company of America (Alcoa) and raw material supplied by Alusuisse. Bechtel of the US is reported to be preparing a final feasibility study.

The group is negotiating with the Royal Commission for Jubail

and Yanbu, the landlord, on terms for a site. The commission's secretary-general, Prince Abdullah Bin Faisal Bin Turki Al-Saud, last week welcomed the initiative. He said the commission was very happy to have attracted this investment, the more so since Yanbu had for a time taken longer to attract private investors than its sister city on the Gulf.

Some 40,000 people have already moved to Yanbu. The commission's target is for some 80,000 people to be living and working there by the early 1990s.

The venture is very much in line with plans by Arabian peninsula governments to secure private sector finance in manufacturing and heavy industries. Mr Khalid Ashoor, an executive of the Qatar-based Gulf Organisa-

tion for Industrial Consulting, comprising six Arabian peninsula countries plus Iraq, said recently the GOIC had invited 400 businessmen to meet in Bahrain in October to discuss private sector co-operation with regional governments in an effort to attract some of the estimated \$100bn of private capital from these countries now held overseas.

Two separate industrial ventures include plans by Riyadh-based National Industrialisation Company, a semi-state holding company, to build a \$30m steel foundry at Dammam on the east coast with a 50 per cent loan from the Saudi Industrial Development Fund.

Last month, Qatar Fertiliser Company announced plans for a third ammonia plant.

U.S. \$30,000,000 ZENTRALSPARKASSE UND KOMMERZIALBANK WIEN Floating Rate Subordinated Notes Due 1991

Nationwide Anglia Building Society Floating Rate Notes Due 1998

Wells Fargo & Company U.S. \$100,000,000 Floating Rate Subordinated Notes due July 1997

U.S. \$75,000,000 The Bank of New York Overseas Finance N.V. Guaranteed Floating Rate Subordinated Notes due January 1996

PKBANKEN (Incorporated in the Kingdom of Sweden) U.S. \$50,000,000 9 1/2 per cent. Notes 1993 Issue Price 101 1/2 per cent.

Bergen Bank A/S (Incorporated in the Kingdom of Norway with limited liability) U.S. \$50,000,000 9 1/2 per cent. Notes Due 1993 Issue Price 101 1/2 per cent.



INTERNATIONAL CAPITAL MARKETS

These securities have been sold outside the United States of America and Japan. This announcement appears as a matter of record only.

NEW ISSUE

14th July, 1988



MUTOW CO. LTD.

U.S.\$50,000,000

4 1/4 per cent. Guaranteed Bonds 1993 with Warrants

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The Fuji Bank, Limited

Issue Price 100 per cent.

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RHM to launch CP programme for £150m

By Stephen Fidler, Euromarkets Correspondent. RANKS HOVIS MacDonnell, the British bakery and food group for which the Australian food group Goodman Fielder...

Higher primes unsettle prices across the board

By Dominique Jackson. A MOVE by the major US banks to raise prime lending rates to 9 1/2 per cent from 9 per cent depressed Eurodollar bond prices...

INTERNATIONAL BONDS

Finland plans tough insider trading law

By Our Financial Staff. FINLAND is planning its first law on insider trading and has proposed in a new bill that offenders could be imprisoned for up to 12 months.

BHF plans to raise DM142m

By Our Financial Staff. BEELINER Handels- und Frankfurter Bank (BHF), the West German merchant bank, plans to raise DM142m through a rights issue at DM220 a share.

All these securities having been sold, this announcement appears as a matter of record only. July, 1988



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4 PER CENT. GUARANTEED BONDS DUE 1993

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US banker calls for 50% margin levels

A PARTNER in Lazard Freres and Company, the Wall Street investment bank, yesterday urged uniform margin levels for options, futures and stocks to be set at no less than 50 per cent, Reuter reports from New York.

DSM profits

DSM, the Dutch state-owned chemicals group, has been in profit for many years. Tuesday's article wrongly implied that its FI 422m net profit for 1987 brought a run of recent losses to an end.

Saudi NCB

NATIONAL COMMERCIAL Bank of Saudi Arabia, which announced zero net profits for the year to last August, made SR79.98m (\$21.3m) the previous year rather than SR779.9m as reported in the Financial Times of June 27.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Table with columns for Bond Name, Issued, Maturity, Coupon, Yield, and Price. Includes sections for US DOLLAR, SWISS FRANC, and CONVERTIBLE.

Handwritten signature or mark at the bottom of the page.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar holds in a tight range

IT WAS a fairly predictable day on the foreign exchanges, at least as far as the dollar was concerned. The currency was locked in a tight range ahead of today's US trade figures for May...

the open market at around the DM1.640 level, but the action did not appear to be very aggressive or involve other central banks.

note, but received a boost from better than expected economic data, only to fall back on a warning from Mr Nigel Lawson, the Chancellor, that he is not happy with the current level of UK inflation.

IT WAS a mixture of the good news and the bad as far as London's financial markets were concerned yesterday, and the general tone was not as promising by the end of the day as it once looked.

The good news on UK average earnings. The lower than expected figure on earnings in May temporarily reduced some of the fears about inflationary pressure, but the encouragement for the market was short lived.

The futures market received another jolt when US banks increased their prime lending rates, although the move was not totally unexpected.

Dealers regard DM1.650 as a strong resistance level. The dollar touched a peak of DM1.640 yesterday, but could make a strong attack on the resistance point if the trade figures are reasonably good.

Table with columns for currency, rate, and change. Includes Sterling, Swiss Franc, and others.

Table titled 'STERLING INDEX' showing index values for various dates.

Table titled 'CURRENCY RATES' showing rates for various currencies like Sterling, US Dollar, etc.

Table titled 'CURRENCY MOVEMENTS' showing percentage changes for various currencies.

Table titled 'OTHER CURRENCIES' showing rates for currencies like Australian Dollar, etc.

Table titled 'EXCHANGE CROSS RATES' showing cross rates between various currencies.

MONEY MARKETS

An upward turn

INTEREST RATES took another upward turn yesterday when prime US banks increased their prime lending rates by 1/4 p.p. to 8 1/4 p.p.

There had been some speculation the West German Bundesbank would increase its Lombard emergency financing rate from 4.50 p.c. at yesterday's council meeting, but on balance dealers were not surprised when the central bank left its credit policies unchanged.

EMS EUROPEAN CURRENCY UNIT RATES

Table showing EMS European Currency Unit rates for various countries.

POUND SPOT - FORWARD AGAINST THE POUND

Table showing Pound spot and forward rates against the pound.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Table showing Dollar spot and forward rates against the dollar.

EURO-CURRENCY INTEREST RATES

Table showing Euro-currency interest rates for various currencies.

FT LONDON INTERBANK FINANCING

Table showing FT London interbank financing rates.

MONEY RATES

Table showing money rates for various currencies and instruments.

LONDON MONEY FUTURES OPTIMIS

Table showing London money futures options.

CHF EURO-DOLLAR OPTIMIS

Table showing CHF Euro-dollar options.

CHF SHORT STERLING

Table showing CHF short sterling rates.

CHF FT-SE INDEX FUTURES OPTIMIS

Table showing CHF FT-SE index futures options.

CHF EURO-DOLLAR OPTIMIS

Table showing CHF Euro-dollar options.

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CHF FT-SE INDEX FUTURES OPTIMIS

Table showing CHF FT-SE index futures options.

EUROPEAN OPTIONS EXCHANGE

Large table showing European options exchange data for various series and dates.

BASE LENDING RATES

Table showing base lending rates for various banks and currencies.

FT LAW REPORTS

Buy-back liability survives

CHASE MANHATTAN (ASIA) LTD v FIRST BANKING CITY FINANCE LTD. Court of Appeal decision on a 'buy-back' agreement between Chase Manhattan and First Bangkok City Finance Ltd (FBCF).

SATELLITE BROADCASTING

The Financial Times proposes to publish this survey on: 29th JULY. For a full editorial synopsis and advertisement details, please contact: SARAH PAKENHAM-WALSH on 01-248 8000 ext 4611.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Table listing various unit trusts such as Abbey Unit Trust, Abbot Management Ltd, Abnig Management Ltd, and others, with columns for name, manager, and other details.

Table listing various unit trusts such as Brown Shipley & Co Ltd, Brown Shipley & Co Ltd, Brown Shipley & Co Ltd, and others, with columns for name, manager, and other details.

Table listing various unit trusts such as Equitable Unit Trusts, Equitable Unit Trusts, Equitable Unit Trusts, and others, with columns for name, manager, and other details.

Table listing various unit trusts such as London & Manchester, London & Manchester, London & Manchester, and others, with columns for name, manager, and other details.

I.G. INDEX LTD, 9-11 GROSVENOR GARDENS, LONDON SW1W 0BD. Tel: 01-828 7233/5679. Reuters Code: IGIN, IGI0.

JOTTER PAD: A grid for writing notes or calculations.

FT CROSSWORD No.6,682 SET BY COURIER

Crossword puzzle grid with numbers indicating starting positions for words.

- ACROSS: 1 Offer a noted start (5), 5 Restrain hair, not down (4,3), 9 One who plays at work - as 8 maybe (8), 10 Nothing thereabout regarding this matter (5), 11 Sing badly after peaceful truce (5), 12 Leave ship work to start tongues wagging (5), 14 Lower than a thief, he may arrange a final journey (10), 18 Fading instruction in 1 across perhaps (10), 22 I sport new university exams (6), 23 Keep a rat around, and another pet maybe (8), 24 Market not in the contract (6), 25 Spray that might produce aero-mist (6), 26 Layers give a start when upset (6), 27 Number about to study church belief (6). DOWN: 1 Stable lad produced sterol mixture (6), 2 A number of legs (6), 3 Topped sound instruction to give it a light blow (6), 4 A backward maricanian (4,6), 6 Then moon for June, for instance (3,5), 7 Maintain account as reminder (8), 8 Character to thrive on nothing (8), 13 Arnold, for example, is an expert on lead (10), 15 Numbers that might get into side (8), 16 Measure beer to cause exasperation (6), 17 ...and see a hand out in the pub before time - how! (6), 19 Many pointed, being crippled (6), 20 Someone who might almost be a snooter (8), 21 Deprive deserters who return on day of victory (6).

Table listing various unit trusts such as City Financial Services, City Financial Services, City Financial Services, and others, with columns for name, manager, and other details.

Table listing various unit trusts such as G & A Trust, G & A Trust, G & A Trust, and others, with columns for name, manager, and other details.

Table listing various unit trusts such as LAS Unit Trusts, LAS Unit Trusts, LAS Unit Trusts, and others, with columns for name, manager, and other details.

GUIDE TO UNIT TRUST PRICING: A section explaining the methodology used for pricing unit trusts, including details on bid and offer prices, cancellation prices, and the timing of price updates.

Handwritten note: July 15/88

FT UNIT TRUST INFORMATION SERVICE

Handwritten note: 10/11/88

INSURANCES

Table listing various insurance and unit trust products, including names like 'Target Trust', 'AA Friendly Society', and 'British National Financial Services'.

Table listing insurance products from 'AA Friendly Society', 'Albion Life Assurance Co Ltd', and 'Alliance Assurance Co Ltd'.

Table listing insurance products from 'British National Financial Services', 'Commercial Union Group', and 'Confidential Life Insurance PLC'.

Table listing insurance products from 'Confidential Life Insurance PLC', 'Crown Financial Management Ltd', and 'Crest Life Assurance Co Ltd'.

Table listing insurance products from 'Crest Life Assurance Co Ltd', 'Crest Life Assurance Co Ltd', and 'Crest Life Assurance Co Ltd'.

Table listing insurance products from 'Crest Life Assurance Co Ltd', 'Crest Life Assurance Co Ltd', and 'Crest Life Assurance Co Ltd'.

Table listing insurance products from 'Crest Life Assurance Co Ltd', 'Crest Life Assurance Co Ltd', and 'Crest Life Assurance Co Ltd'.

Table listing insurance products from 'Crest Life Assurance Co Ltd', 'Crest Life Assurance Co Ltd', and 'Crest Life Assurance Co Ltd'.

Table listing insurance products from 'Crest Life Assurance Co Ltd', 'Crest Life Assurance Co Ltd', and 'Crest Life Assurance Co Ltd'.

Table titled 'OTHER UK UNIT TRUSTS' listing various unit trust products.

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Main body of the document containing multiple columns of unit trust information, including company names, fund names, and numerical data.

MANAGEMENT SERVICES

Table listing management services providers such as David M. Aarø, The Analysts Group PLC, and others.

OFFSHORE AND OVERSEAS

Table listing offshore and overseas investment options and providers.

UK LISTED

Table listing UK listed investment options and providers.

OFFSHORE INSURANCES

Table listing offshore insurance providers and their services.

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FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

Handwritten note: July 15 1988

Table of FT Unit Trust Information Service, columns include Name, Price, Yield, and other financial metrics.

Table of Other Offshore Funds, columns include Name, Price, Yield, and other financial metrics.

Table of British Funds, columns include Name, Price, Yield, and other financial metrics.

Table of Foreign Bonds & Rails, columns include Name, Price, Yield, and other financial metrics.

Table of Money Market Trust Funds, columns include Name, Price, Yield, and other financial metrics.

Table of Money Market Bank Accounts, columns include Name, Price, Yield, and other financial metrics.

UNIT TRUST NOTES: Detailed text explaining unit trust mechanics, including how prices are set and how income is distributed.

LONDON SHARE SERVICE

AMERICANS - Contd

Table listing American stocks with columns for stock name, price, and other financial metrics.

CANADIANS

Table listing Canadian stocks with columns for stock name, price, and other financial metrics.

BANKS, HP & LEASING

Table listing banks, hire purchase, and leasing companies with columns for stock name, price, and other financial metrics.

BEERS, WINES & SPIRITS

Table listing beer, wine, and spirit companies with columns for stock name, price, and other financial metrics.

BUILDING, TIMBER, ROADS

Table listing building, timber, and road companies with columns for stock name, price, and other financial metrics.

BUILDING, TIMBER, ROADS - Contd

Continuation of Building, Timber, and Roads companies table.

CHEMICALS, PLASTICS

Table listing chemical and plastic companies with columns for stock name, price, and other financial metrics.

DRAPERY AND STORES

Table listing drapery and store companies with columns for stock name, price, and other financial metrics.

BUILDING, TIMBER, ROADS

Continuation of Building, Timber, and Roads companies table.

DRAPERY AND STORES - Contd

Continuation of Drapery and Stores companies table.

ELECTRICALS

Table listing electrical companies with columns for stock name, price, and other financial metrics.

DRAPERY AND STORES - Contd

Continuation of Drapery and Stores companies table.

DRAPERY AND STORES

Continuation of Drapery and Stores companies table.

DRAPERY AND STORES

Continuation of Drapery and Stores companies table.

ENGINEERING - Contd

Continuation of Engineering companies table.

ENGINEERING - Contd

Continuation of Engineering companies table.

ENGINEERING - Contd

Continuation of Engineering companies table.

ENGINEERING - Contd

Continuation of Engineering companies table.

INDUSTRIALS (Misc.) - Contd

Continuation of Industrial (Misc.) companies table.

INDUSTRIALS (Misc.) - Contd

Continuation of Industrial (Misc.) companies table.

INDUSTRIALS (Misc.) - Contd

Continuation of Industrial (Misc.) companies table.

INDUSTRIALS (Misc.) - Contd

Continuation of Industrial (Misc.) companies table.

INDUSTRIALS (Misc.) - Contd

Continuation of Industrial (Misc.) companies table.

INDUSTRIALS (Misc.) - Contd

Continuation of Industrial (Misc.) companies table.

INDUSTRIALS (Misc.) - Contd

Continuation of Industrial (Misc.) companies table.

INDUSTRIALS (Misc.) - Contd

Continuation of Industrial (Misc.) companies table.

INSURANCES

Table listing insurance companies with columns for stock name, price, and other financial metrics.

LEISURE

Table listing leisure companies with columns for stock name, price, and other financial metrics.

Handwritten note: July 15/66

LONDON SHARE SERVICE

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LEISURE - Contd

Table of Leisure stocks including Leisure Group, Leisure Leisure, Leisure Leisure, etc.

PAPER, PRINTING, ADVERTISING - Contd

Table of Paper, Printing, Advertising stocks including Newsprint, Newsprint, etc.

PROPERTY

Table of Property stocks including Property, Property, etc.

TEXTILES - Contd

Table of Textiles stocks including Textiles, Textiles, etc.

TOBACCO

Table of Tobacco stocks including Tobacco, Tobacco, etc.

TRUSTS, FINANCE, LAND

Table of Trusts, Finance, Land stocks including Trusts, Finance, Land, etc.

TRUSTS, FINANCE, LAND - Contd

Table of Trusts, Finance, Land stocks (continued) including Trusts, Finance, Land, etc.

OIL AND GAS - Contd

Table of Oil and Gas stocks including Oil and Gas, Oil and Gas, etc.

OVERSEAS TRADERS

Table of Overseas Traders stocks including Overseas Traders, Overseas Traders, etc.

PLANTATIONS

Table of Plantations stocks including Plantations, Plantations, etc.

MINES

Table of Mines stocks including Mines, Mines, etc.

Far West Rand

Table of Far West Rand stocks including Far West Rand, Far West Rand, etc.

O.F.S.

Table of O.F.S. stocks including O.F.S., O.F.S., etc.

Central African

Table of Central African stocks including Central African, Central African, etc.

Finance

Table of Finance stocks including Finance, Finance, etc.

Australian

Table of Australian stocks including Australian, Australian, etc.

MINES - Contd

Table of Mines stocks (continued) including Mines, Mines, etc.

TIS

Table of TIS stocks including TIS, TIS, etc.

Miscellaneous

Table of Miscellaneous stocks including Miscellaneous, Miscellaneous, etc.

THIRD MARKET

Table of Third Market stocks including Third Market, Third Market, etc.

NOTES

Stock Exchange dealing classifications are indicated to the right of securities symbols...

Regional and Irish Stocks

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

IRISH

Table of Irish stocks including Irish, Irish, etc.

TRADITIONAL OPTIONS

Table of Traditional Options including Traditional Options, Traditional Options, etc.

Property

Table of Property stocks including Property, Property, etc.

Oil

Table of Oil stocks including Oil, Oil, etc.

Mines

Table of Mines stocks including Mines, Mines, etc.

This service is available to any company... for a fee of 5000 per annum for each country.

MOTORS, AIRCRAFT TRADES

Table of Motors, Aircraft Trades stocks including Motors, Aircraft Trades, etc.

Commercial Vehicles

Table of Commercial Vehicles stocks including Commercial Vehicles, Commercial Vehicles, etc.

Garages and Distributors

Table of Garages and Distributors stocks including Garages and Distributors, Garages and Distributors, etc.

NEWSPAPERS, PUBLISHERS

Table of Newspapers, Publishers stocks including Newspapers, Publishers, etc.

PAPER, PRINTING, ADVERTISING

Table of Paper, Printing, Advertising stocks including Paper, Printing, Advertising, etc.

SHOES AND LEATHER

Table of Shoes and Leather stocks including Shoes and Leather, Shoes and Leather, etc.

SOUTH AFRICANS

Table of South Africans stocks including South Africans, South Africans, etc.

SHIPPING

Table of Shipping stocks including Shipping, Shipping, etc.

TEXTILES

Table of Textiles stocks including Textiles, Textiles, etc.

LONDON STOCK EXCHANGE

Economic data well received but markets remain nervous ahead of US trade news

Account Dealing Dates... First Declared Last Account Dealings

SATISFACTION in London securities markets... The equity market's median forecast for the US monthly trade deficit stand at around \$1bn, with Robert Fleming aiming for \$1.2bn.

at consumer spending and mortgage activity... The international blue chips were mostly easier as the market waited to see how the foreign exchange sector will react today to the US trade figures.

FINANCIAL TIMES STOCK INDICES table with columns for July 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 1988, and Stock Completion.

Others took a different view... but one source commented that even if the deal does not go through, BAE shares should be bought on the back of the recent Saudi Arabian arms agreement.

Vickers by recommendation... while persistent institutional demand lifted Amstrad 4 to 215p. Cable & Wireless, where buying over topped, stood up 13 to 380p on the back of a substantial buying order early in the day.

speculative. Nurdin & Peacock improved 4 to 188p on confirmation that Dutch holding company SEV has a 5 per cent stake.

However, bond prices made no response to the Citicorp statement and closed barely changed on the day... The equity sector, which had been higher following news of buoyant industrial production and better-than-expected earnings data for the UK, turned down on the half price rise in US primes to 8 1/2 per cent.

Turnover was a shade better than earlier in the week, but retail investors remained on the sidelines, keeping a wary eye on the US bond sector... Sears dropped 3 to 126p on mid-morning profit-taking after a denial from Australian retailer Coles Myers that it had bought the Al Fayed's 10 per cent stake.

either Vendex or the Italian retailers Jecox, who hold 19.5 per cent of Empire, ever sold their stakes, the UK firm would be wide open to a bid from a foreign aggressor. With the removal of trade barriers in Europe less than four years away, at least one senior Stores market-maker believes that Empire will fall into Continental hands by 1992.

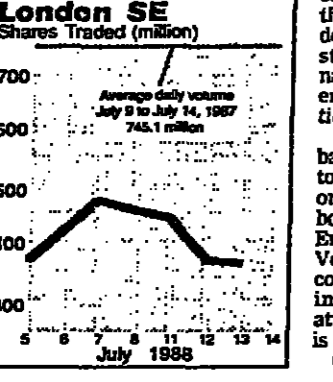
Oil and gas shares remained extremely nervous about crude oil prices, which dipped around 30 cents a barrel yesterday... Turnover in the sector was again at a relatively low level, and Shell sold 12 to 137 1/2p with some interim shares traded.

ICI ended at 210 1/2p, down 1/4 after minimal turnover. Interim figures are due on July 25... Kielder waterpound is forecasting 530m for the second quarter and 1.78bn for the full year.

British Aerospace continued to provide a major selling point following the last minute hitch in the expected Rover car group deal... A number of analysts are believed still to favour the takeover of Rover, despite the revised terms put forward by the European Commission.

The Foods sector was enlivened by the speculation surrounding Marks & Spencer which rose 2 to 452p in turnover of 5m shares. Five comment listed Tesco 4 1/2 to 151p, while United Biscuits rose 7 to 306p in heavy trading as attention focused on its low rating.

Business in the Traded Options Market picked up, with a total of 26,556 contracts traded on the day... 25,000 calls and 5,000 puts, Flasey were popular, with 3,174 calls and 294 puts exchanged.



Government bonds shied away from the US base rate increases, replacing early minor gains with falls of nearly half a point. The setback was brief, however, and prices clawed their way upwards to the good.

Merchandise Bank lost 4 to 410p, as did Lloyds, 25p, and Midland, 43p. NatWest eased 2 to 683p where blue speculation continued to boost the shares which settled a further 5 higher at 418p.

Life assurances continued a fresh bout of profit-taking with Abbey particularly unsettled and finally 9 off at 314p. Pearl lost 4 to 381p.

Composites were "lifeless", dealers said. Comptech Union were marked down 3 to 376p and similar falls were seen in San Alliance, 86p and Royal, 40p, the last-named despite talk of a tie up with a major Italian insurance group.

Brewery stocks were mixed, with most of the leaders ending worse. Vaux, however, continued to surge, rising 13 to 640p, after 644p. Dealers thought stakebuilding at that level was unlikely and commented that there was a shortage of stock had again helped the shares higher.

FRANKLY ATTRACTED A turnover of 20m and the shares fluctuated between 92p and 98p before settling a net 3 off at 88 1/2p after the company revealed interim profits of 56.8m, compared with last year's 52.6m.

TRADING VOLUME IN MAJOR STOCKS table with columns for Stock, Volume, and Stock, Volume.

FT - ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS table with columns for Index No., Day's Change, Est. Earnings Yield, Gross Yield, P/E Ratio, and Index No.

FIXED INTEREST table with columns for Index No., Day's Change, and Index No.

4 Opening Index: 1873.0; 10 am 1869.8; 11 am 1873.7; Noon 1875.1; 1 pm 1874.2; 2 pm 1870.1; 3 pm 1866.4; 3.30 pm 1867.7; 4 pm 1866.5

LONDON TRADED OPTIONS

LONDON TRADED OPTIONS table with columns for Option, Calls, and Puts.

July 14 Total Contracts: 28,556 Calls: 23,200 Puts: 5,264 FT-SE Index: 383 Pts 549 Underlying security price.

NEW HIGHS AND LOWS FOR 1988

NEW HIGHS AND LOWS FOR 1988 table with columns for High and Low.

RISES AND FALLS YESTERDAY

RISES AND FALLS YESTERDAY table with columns for Rises, Falls, and Same.

EQUITIES

EQUITIES table with columns for Index, Day's Change, and Index.

FIXED INTEREST STOCKS

FIXED INTEREST STOCKS table with columns for Index, Day's Change, and Index.

"RIGHTS" OFFERS

"RIGHTS" OFFERS table with columns for Index, Day's Change, and Index.

Handwritten note: July 15/16

Table of stock market data for various countries including Australia, France, Germany, Netherlands, Sweden, and Switzerland. Columns include country, date, and various stock indices.

CANADA

Table of stock market data for Canada, including Toronto 2pm prices and various company stock prices.

Table of stock market data for Japan, including various stock indices and company prices.

OVER-THE-COUNTER

Table of over-the-counter market data, including Nasdaq national market prices and various company stock prices.

CHIEF LONDON PRICE CHANGES YESTERDAY

Table showing price changes for various commodities and currencies in London.

INDICES

Table of various stock indices including Dow Jones, Nikkei, and others, with columns for date and index value.

Advertisement for 'Travelling on Business?' featuring the Hotel Diplomat, Grand Hotel, and other accommodations.

Advertisement for 'FRETZ Limousine Service' offering chauffeur-driven executive cars in Zurich.

Advertisement for 'Travelling on Business in Luxembourg?' featuring Hotel Cravat and other hotels.

Advertisement for 'Travelling on Business in Italy?' featuring Hotel Excelsior Gallia, Hilton Hotel, and other accommodations.

Closing prices July 14

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

| 12 Month | High | Low | Stock | Div. Yld. % | 1966 | 1965 | 1964 | 1963 | 1962 | 1961 | 1960 | 1959 | 1958 | 1957 | 1956 | 1955 | 1954 | 1953 | 1952 | 1951 | 1950 | 1949 | 1948 | 1947 | 1946 | 1945 | 1944 | 1943 | 1942 | 1941 | 1940 | 1939 | 1938 | 1937 | 1936 | 1935 | 1934 | 1933 | 1932 | 1931 | 1930 | 1929 | 1928 | 1927 | 1926 | 1925 | 1924 | 1923 | 1922 | 1921 | 1920 | 1919 | 1918 | 1917 | 1916 | 1915 | 1914 | 1913 | 1912 | 1911 | 1910 | 1909 | 1908 | 1907 | 1906 | 1905 | 1904 | 1903 | 1902 | 1901 | 1900 |
|----------|------|-----|-------|-------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| 12 Month | High | Low | Stock | Div. Yld. % | 1966 | 1965 | 1964 | 1963 | 1962 | 1961 | 1960 | 1959 | 1958 | 1957 | 1956 | 1955 | 1954 | 1953 | 1952 | 1951 | 1950 | 1949 | 1948 | 1947 | 1946 | 1945 | 1944 | 1943 | 1942 | 1941 | 1940 | 1939 | 1938 | 1937 | 1936 | 1935 | 1934 | 1933 | 1932 | 1931 | 1930 | 1929 | 1928 | 1927 | 1926 | 1925 | 1924 | 1923 | 1922 | 1921 | 1920 | 1919 | 1918 | 1917 | 1916 | 1915 | 1914 | 1913 | 1912 | 1911 | 1910 | 1909 | 1908 | 1907 | 1906 | 1905 | 1904 | 1903 | 1902 | 1901 | 1900 |
| 12 Month | High | Low | Stock | Div. Yld. % | 1966 | 1965 | 1964 | 1963 | 1962 | 1961 | 1960 | 1959 | 1958 | 1957 | 1956 | 1955 | 1954 | 1953 | 1952 | 1951 | 1950 | 1949 | 1948 | 1947 | 1946 | 1945 | 1944 | 1943 | 1942 | 1941 | 1940 | 1939 | 1938 | 1937 | 1936 | 1935 | 1934 | 1933 | 1932 | 1931 | 1930 | 1929 | 1928 | 1927 | 1926 | 1925 | 1924 | 1923 | 1922 | 1921 | 1920 | 1919 | 1918 | 1917 | 1916 | 1915 | 1914 | 1913 | 1912 | 1911 | 1910 | 1909 | 1908 | 1907 | 1906 | 1905 | 1904 | 1903 | 1902 | 1901 | 1900 |
| 12 Month | High | Low | Stock | Div. Yld. % | 1966 | 1965 | 1964 | 1963 | 1962 | 1961 | 1960 | 1959 | 1958 | 1957 | 1956 | 1955 | 1954 | 1953 | 1952 | 1951 | 1950 | 1949 | 1948 | 1947 | 1946 | 1945 | 1944 | 1943 | 1942 | 1941 | 1940 | 1939 | 1938 | 1937 | 1936 | 1935 | 1934 | 1933 | 1932 | 1931 | 1930 | 1929 | 1928 | 1927 | 1926 | 1925 | 1924 | 1923 | 1922 | 1921 | 1920 | 1919 | 1918 | 1917 | 1916 | 1915 | 1914 | 1913 | 1912 | 1911 | 1910 | 1909 | 1908 | 1907 | 1906 | 1905 | 1904 | 1903 | 1902 | 1901 | 1900 |

Continued on Page 37

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NYSE COMPOSITE PRICES

Table of NYSE Composite Prices listing various stocks with columns for stock name, price, and change.

AMEX COMPOSITE PRICES

Table of AMEX Composite Prices listing various stocks with columns for stock name, price, and change.

OVER-THE-COUNTER

Table of Over-the-Counter prices listing various stocks with columns for stock name, price, and change.

Advertisement for Financial Times: 'Have your F.T. hand delivered in Germany'. Includes text about business centers and subscription information.

Advertisement for Financial Times: 'Have your F.T. hand delivered...'. Includes text about Athens and subscription information.

Handwritten note: 'July 15 1988'

